

Severn Valley Railway (Holdings) Public Limited Company

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014**



SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CONTENTS

	Page
Directors, Officers and Advisers	1
Chairman's Statement	2 - 4
Directors' Report	5 - 6
Strategic Report	7 - 8
Independent Auditor's Report	9 - 10
Profit and Loss Account	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Financial Statements	14 - 26

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

N C Paul C.B.E.
M E Ball
A G Bending
J A Dunster
A D Owen O.B.E.
C G Thomas
C W Walton
S White
D C Williams
N Wright (resigned 5 March 2014)
M R York
P R P Pearson (appointed 16 April 2013)
A C Barr M.B.E. (appointed 18 March 2014)

COMPANY SECRETARY

M P Harris

REGISTERED NUMBER

01046274

REGISTERED OFFICE

The Railway Station
Bewdley
Worcestershire
DY12 1BG

STATUTORY AUDITOR

Crowe Clark Whitehill LLP
Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

BANKERS

HSBC Bank plc
31 Church Street
Kidderminster
Worcestershire
DY10 2AY

SOLICITORS

Harrison Clark Rickerbys
5 Deansway
Worcester
WR1 2JG

REGISTRAR

M P Harris
The Railway Station
Bewdley
Worcestershire
DY12 1BG

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 5 JANUARY 2014

Dear Shareholder

I can scarcely believe that twelve months have passed so quickly and once again I am writing my introduction to the annual accounts. The production of this report offers a chance to catch breath and relay to you just how much has been achieved at the Railway during 2013 and what a really valuable difference shareholder funds are making to our Railway.

I am glad to report that 2013 was again a profitable year £61,891 even after absorbing budgeted and unbudgeted additional costs. Sales in 2013 were more than £500,000 higher than 2012. We used some of the margin on those extra sales to further budgeted increase in the staffing at Bridgnorth Motive Power Department (MPD). At the 2012 AGM we announced a significant investment in MPD, the objective of which is to increase the efficiency by which we overhaul and maintain locomotives thus increasing the number of engines in our running fleet. I am pleased to say that in 2013, whilst the measurement is rudimentary, the fleet availability through the year has been excellent and the intermediate overhaul of locomotive 43106 in less than nine months was quite an achievement. MPD have recruited further essential staff during the year including a Boilershop Chargehand, Dave Howell, a new fitter machinist, Tomas Jones, and confirmed Richard Kempton as the Mechanical Foreman. The team at MPD have used their expertise to remove what has been affectionately been called 'Tranter Towers' from the shed building. It is in fact a collection of cabins and containers that have been used as offices and storage. The removal of these structures has increased the workshop space and allowed new fitting bays to be installed and one of the shed roads to be extended. The introduction of an automated programmable lathe within the boilershop, and employment of Alex Bradbury as Operator/Programmer in 2013, has also proved to be a boon as the Railway now has the capacity to produce boiler stays in quantity for both ourselves and customers. Partly as a consequence MPD contract sales in 2013 are £300,000 up from £200,000 in 2012. The Company profit margin also reflects non-budgeted cost pressures felt during the year. The demise of Scottish Coal forced the Railway to find an alternative supplier urgently. This was done successfully, but there was a significant increase in the cost per tonne which saw an increase in coal, oil and water expense of £83,000 in comparison to 2012. The Company took the initiative to establish the Heritage Skills Training Academy in its pilot year, further details below, but all project costs including salaries were underwritten by the Holdings Plc.

The Railway saw an improvement in passenger numbers of 9,000 to 211,000 in the year. The 2013 marketing campaign undoubtedly contributed to an increase in passengers over the summer. The campaign was directed at the family market and centred on a 20 second television advert with the strapline 'Every Journey Ends With a Memory'. The campaign was also reinforced by bill board advertising across the West Midlands and on-train advertising on London Midland trains through the summer months. The campaign saw an extra 7,363 passengers visit the Railway in the holiday months of July and August 2013 compared with 2012. These additional passenger visits helped enormously in surpassing our year end passenger target. Achieving the target was not all plain sailing however and the weather as usual had to play its part during the year. In particular the appalling snowy conditions in March 2013 effectively halved the expected number of Spring Gala visitors.

The SVR is known for its varied events calendar and in 2013 events continued to play an important role in bringing in significant numbers of passengers and enthusiasts. The introduction of Peppa Pig, (a well-known children's cartoon character) as a family event, proved to be hugely popular with 4,630 visiting over an April weekend. Such was its popularity that overcrowding became an issue on trains and at stations. This has prompted a change in format to the event for 2014 to alleviate this problem. The introduction of a Ladies Day in July added a different twist and feel to the Railway which felt more like a Ladies Day at Ascot Races. These events complimented the traditional favourites of the 1940's weekends, the Autumn Gala and the Santa Service which always prove to be popular and successful.

Our Footplate Experience Courses, through the auspices of the new Footplate Coordinator Lewis Maddox, saw a considerable growth in 2013 with an increase in sales of £65,000 or 68% compared to the prior year. Footplate courses expanded to include some of the visiting Gala locomotives in 2013 and for example the opportunity to drive an Autocoach and the Deltic on the SVR proved to be very popular.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 5 JANUARY 2014

It would be remiss if I did not take this opportunity to again thank shareholders for their truly tremendous response to the 2012 Share Offer; to issue over two million shares within twelve months is remarkable for any organisation and especially notable for a heritage railway. The funds are making a fantastic difference to what the Railway can achieve both now and in the coming years. Three of the most important projects from the Share Offer document are Bridgnorth Redevelopment, the Heritage Skills Training Academy and the overhaul of Company Locomotive 4930 Hagley Hall. I would like to give you an update on progress in 2013 on these projects:

With regard to the redevelopment of the Bridgnorth site the dedicated Project Team led by Ian Baxter have spent an extraordinary number of hours preparing the options analysis and developing the business plans to support a final proposal ready for publication this summer 2014. The project has shown very significant progress and is on schedule for the project team Sponsor to update the Board in April, with the master plan ready for July and a planning application going to the council in August. The Board have 'ring fenced' 2012 Share Offer funds to support this vital project.

The Heritage Skills Academy is coming up for its first anniversary. Three trainees, James Lewis, Chris Bird and Max Green, have been undertaking 'on the job' training at the Carriage Departments at Bewdley and Kidderminster and the Motive Power Department at Bridgnorth, whilst also attending a full time course at Telford College in engineering. They have proved under the guidance of the Project Coordinator Richard Thurlow that the Academy concept really does work, and recruitment is already underway for the 2014 intake of trainees. The popularity of this venture has created great publicity resulting in a recent appearance on Countryfile as well as numerous other appearances on TV and in the press.

Company owned locomotive 4930 Hagley Hall has been out of traffic for 27 years. Always a popular engine, its overhaul and the restoration of the Great Western carriages was included as a project in the Share Offer document. In October 2013, with great ceremony, Hagley Hall was carefully shunted from The Engine House and dispatched to Bridgnorth ready for its overhaul. The Friends of Hagley Hall have supported this venture in many ways and have already organised a swap of its tender, meaning that the locomotive, once restored to its prime, will be coupled to a more appropriate Collett tender. In my introduction to the Share Offer document I stated that where possible the Railway would look to secure funding from outside the Railway using share offer funds as a 'match' to external funds. Through the offices of the Severn Valley Railway Charitable Trust (SVRCT) I can report to shareholders that whilst £200,000 of share offer funds has been allocated towards the overhaul of Hagley Hall £95,000 has been awarded by the Heritage Lottery Fund towards parts and materials used in the overhaul of the locomotive. The restoration of Great Western (GW) carriages is an important element of the project and during 2013, coach 1146 entered Bewdley Carriage works to undergo repair and repainting. This will be the first in a number of GW carriages entering the works.

The Company continues to invest heavily in its infrastructure to maintain a safe and well cared for Railway. Over the last two years £1 million has been invested in infrastructure works. During the last year major projects have included the replacement drainage scheme at Bridgnorth, back drive in preparation for the re-development work at Bridgnorth. Track replacement at Fishermans Crossing and further improvements to the drainage at Eyemore Cutting have been made during the year. The replacement of the water treatment plant at Kidderminster and improvement to the exchange sidings from the SVR main line. There is no doubt heavy expenditure will be required to continue in the coming years.

Of course none of the above would be possible without the unstinting support and dedication of our Working Members who continue to support our Railway with such passion. Last year this achievement received national recognition. The Queen's Award for Volunteering was awarded to the Railway by the Lord Lieutenants of Shropshire and Worcestershire and received by Alan Longdon, Deputy Chairman of the Guarantee Company, on behalf of all Working Members on the Railway. The award is the equivalent of a volunteer MBE! This is a prestigious accolade for the Railway and, in particular, the volunteers who dedicate so much of their time and skills to the SVR.

Shareholders will note that the SVRCT is now integral and essential to the fundraising success of the SVR. In 2013, it financially supported the Heritage Skills Training Academy and the Hagley Hall overhaul. Shareholders and shareholding will always be an important part of the SVR with the Charity as an organisation with the ability

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 5 JANUARY 2014

to access funding opportunities that hitherto have been unavailable to the Railway. I am sure we all look forward to working closely with our SVRCT colleagues in 2014.

The Railway has survived the recent rain storms of January and February 2014. However, a couple of small landslips at Sterns and Bridgnorth continue to remind us that our infrastructure continues to require maintenance and investments to secure its longevity and safe operation.

Looking forward to 2014 and beyond, there are many exciting projects now coming to a point of design completion and construction. By July this year we will have the masterplan for the Bridgnorth Station site, the construction of the Diesel Depot at Kidderminster will commence in the final quarter of the year. Furthermore the Railway will have moved into its new Company offices at Kidderminster in April, plus there will be further important news on the negotiations concerning the locomotive lease agreements. I look forward to meeting you at the Shareholders AGM and providing further relevant information and analysis on the successes of 2013.

Thank you for your continued support for this most wonderful of Railways.



Name **N C Paul C.B.E.**
Chairman

Date 15 April 2014

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 5 JANUARY 2014

The Directors present their report and the Financial Statements for the period ended 5 January 2014.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgments 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 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 profit for the period, after taxation, amounted to £61,891 (2013 - £58,158).

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 no longer 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.

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 FOR THE PERIOD ENDED 5 JANUARY 2014

DIRECTORS

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

	Ordinary shares of £1 each	
	5 January 2014	7 January 2013
N C Paul C.B.E.	6,451	6,451
M E Ball	1,700	1,700
A G Bending	3,100	2,600
J A Dunster	250	250
A D Owen O.B.E.	1,000	1,000
C G Thomas	1,353	1,052
C W Walton	1,200	1,200
S White	1,260	60
D C Williams	2,505	2,505
N Wright (resigned 5 March 2014)	16,080	16,080
M R York	1,000	1,000
P R P Pearson (appointed 16 April 2013)	3,130	1,130 *

(* held on date of appointment)

Certain 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 deemed to be minimal.

PROVISION OF INFORMATION TO STATUTORY AUDITOR

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

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that 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.

STATUTORY AUDITOR

The auditor, Crowe Clark Whitehill 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.



N C Paul C.B.E.
Director

Date: 15 April 2014

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

STRATEGIC REPORT FOR THE PERIOD ENDED 5 JANUARY 2014

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 of 5 January 2014 (*prior period - 6 January 2013*) to correspond with the end of the Company's 'festive season' running schedule.

BUSINESS REVIEW

The Directors are pleased to report that 2013 was again a profitable year, with a profit for the year of £61,891. A comparison of 2012 to 2013 accounts shows that sales have increased by £637,314, driven by growth in passenger numbers.

More than 211,000 people visited the railway in 2013, exceeding initial forecast numbers by more than 6,000 passengers and representing an increase of nearly 9,000 passengers compared to 2012's figures. This growth is attributed to a number of factors including a host of well-attended events and a bumper summer season. The new-format family fun weekends attracted nearly 7,000 visitors and the Santa and festive season services attracted over 45,000 passengers in December. The Company also invested in a campaign to encourage families to spend a day out on the railway, including TV advertising for the first time since 2010.

During 2013 significant progress was made to increase the efficiency of locomotive overhauls at Bridgnorth Motive Power Department (MPD) where the continuing objective is to increase the company's ability to overhaul and maintain its locomotive fleet. MPD recruited further essential staff during the year to support this objective and to continue to develop its ability to provide external contract engineering services. MPD contract sales in 2013 are £334,000.

The Company's Net Asset position at 5 January 2013 grew by £1,036.035 with respect to the 2012 position; this increase was driven by Shareholders' fantastic response to the Share Offer.

Looking forward to 2014 and beyond, there are many exciting projects now coming to a point of design completion and construction. By July 2014, the masterplan for the Bridgnorth Station site will be developed and the construction of the Diesel Depot at Kidderminster will commence in the final quarter of the year. Furthermore, the Railway will have moved into its new Company offices at Kidderminster in April, plus there will be an update on the negotiations concerning the locomotive maintenance agreements and their impact on the financial accounts which will be carefully monitored.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Continue to operate within the company's safety management system
- The current economic situation and its impact on disposable income
- Weather and its impact on the number of passengers
- Availability 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 or future projects
- Availability and recruitment of skilled staff
- Ongoing changes to legislation
- Environmental issues
- Compliance with Health & Safety

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

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

STRATEGIC REPORT (continued)

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.

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



N C Paul C.B.E.
Director

Date: 15 April 2014

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

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

We have audited the Financial Statements of Severn Valley Railway (Holdings) plc for the period ended 5 January 2014, set out on pages 11 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 5 January 2014 and of its profit 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Dave Darlaston (Senior Statutory Auditor)
for and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor
Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

15 April 2014

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 5 JANUARY 2014**

	Note	Period ended 5 January 2014 £	Period ended 6 January 2013 £
TURNOVER	1,2	6,009,266	5,371,952
Cost of sales		(5,842,602)	(5,208,267)
GROSS PROFIT		166,664	163,685
Administrative expenses		(620,597)	(620,425)
Other operating income	3	528,264	535,949
OPERATING PROFIT	4	74,331	79,209
Interest receivable and similar income		567	183
Interest payable and similar charges	5	(13,007)	(21,234)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		61,891	58,158
Tax on profit on ordinary activities	15	-	-
PROFIT FOR THE FINANCIAL PERIOD		61,891	58,158

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and Loss Account.

The notes on pages 14 to 26 form part of these Financial Statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC
REGISTERED NUMBER: 01046274


BALANCE SHEET
AS AT 5 JANUARY 2014

	Note	5 January 2014		6 January 2013	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		11,813,145		11,773,688
CURRENT ASSETS					
Stocks	10	485,695		416,538	
Debtors	11	480,068		312,826	
Cash at bank and in hand	12	1,170,286		793,454	
		<u>2,136,049</u>		<u>1,522,818</u>	
CREDITORS: amounts falling due within one year	13	<u>(1,155,823)</u>		<u>(1,150,766)</u>	
NET CURRENT ASSETS			<u>980,226</u>		<u>372,052</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,793,371</u>		<u>12,145,740</u>
CREDITORS: amounts falling due after more than one year	14		<u>(5,532,257)</u>		<u>(5,920,705)</u>
NET ASSETS			<u>7,261,114</u>		<u>6,225,035</u>
CAPITAL AND RESERVES					
Called up share capital	16		6,755,651		5,781,463
Profit and loss account	17		505,463		443,572
SHAREHOLDERS' FUNDS - all equity	18		<u>7,261,114</u>		<u>6,225,035</u>

The Financial Statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 15 April 2014.



N C Paul C.B.E.
Director



M E Ball
Director

The notes on pages 14 to 26 form part of these financial statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 5 JANUARY 2014**

	Note	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Net cash flow from operating activities	19	165,653	223,051
Returns on investments and servicing of finance	20	(12,440)	(21,051)
Capital expenditure and financial investment	20	(538,987)	(532,112)
CASH OUTFLOW BEFORE FINANCING		(385,774)	(330,112)
Financing	20	762,606	858,104
INCREASE IN CASH IN THE PERIOD		376,832	527,992

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE PERIOD ENDED 5 JANUARY 2014**

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Increase in cash in the period	376,832	527,992
Cash outflow from decrease in debt and lease financing	211,582	198,372
MOVEMENT IN NET DEBT IN THE PERIOD	588,414	726,364
Net funds/(debt) at 7 January 2013	30,941	(695,423)
NET FUNDS AT 5 JANUARY 2014	619,355	30,941

The notes on pages 14 to 26 form part of these financial statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 JANUARY 2014

1. PRINCIPAL ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the accounting policies, which have been applied consistently, are set out below.

1.1 Basis of preparation of financial statements

The Financial Statements have been prepared under the historical cost convention.

The Directors have drawn up these accounts to the accounting reference period of 5 January 2014 (6 January 2013) to correspond with the end of the Company's 'festive season' running schedule.

When preparing these Financial Statements, the Directors have assessed the Company's ability to continue as a going concern. As a result of this assessment, no material uncertainties have been identified by the Directors that may cast significant doubt about the ability of the Company to continue as a going concern.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The Company meets its day-to-day working capital requirements through cash reserves. An overdraft facility is retained which is due for renewal in July 2014. The Company's forecasts and projections show that the Company should be able to operate within the level of its current facility. The Company will hold renewal negotiations with the Bank in due course and has, at this stage, not sought any written commitment that the facility will be renewed. However, since the year end, the Company has held discussions with the Bank about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts.

Income associated with credit sales is recognised at the point an invoice is raised. Invoices are raised once the Company becomes entitled to consideration for goods and services supplied.

Income associated with cash sales is recognised at the point of sale for non-refundable goods and services. Where services are purchased in advance of the date that the service is provided, the income is deferred until the date of supply.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 JANUARY 2014

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.3 Tangible fixed assets and depreciation

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.

Depreciation is calculated so as to write off the cost 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	2% - 20% on cost
Locomotives and rolling stock	- 5% - 10% on cost
Office and computer equipment	- 20% - 25% on cost
Motor vehicles	- 20% - 25% on cost
Commercial fixtures, fittings and equipment	- 4% - 20% on cost

Freehold land is not depreciated.

Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the asset.

1.4 Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

1.5 Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value and include goods for resale and stores of goods for use in operation of the Railway. 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.

1.6 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 JANUARY 2014

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Pension costs

The Company operates a defined contribution pension scheme. Amounts falling due are charged to the Profit and Loss Account as incurred.

1.8 Grants

Grants are released to the Profit and Loss Account over the same period to which the related costs are charged once confirmation of the grant amount to be received is certain. Where the grant is for a capital project, it is released to the Profit and Loss Account over the same period as the asset is depreciated. Where the grant is for a revenue project, it is recognised in the same period as the expenditure.

1.9 Rental Income

Rental income is recognised on an accruals basis.

1.10 Locomotives and Rolling Stock

These arrangements are in the nature of operating leases. Repairs and maintenance are provided for in accordance with the locomotive and rolling stock agreements. Costs of repairs and maintenance, over and above those in the terms of the agreement, are charged to the Profit and Loss Account as incurred.

2. TURNOVER

In the opinion of the Directors, the Company's business is a single entity, that of operating a heritage railway, with a scheduled service, in the United Kingdom.

All turnover arose within the United Kingdom.

3. OTHER OPERATING INCOME

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Rents received	19,406	22,074
Donations and legacies	206,335	166,688
Other non trading income	61,202	88,246
Release of deferred grants/donations	241,321	240,975
Insurance claim for stock theft	-	17,966
	528,264	535,949

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014

4. OPERATING PROFIT

The operating profit is stated after charging:

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Depreciation of tangible fixed assets:		
- owned by the Company	499,530	496,528
Operating lease rentals:		
- plant and machinery	2,868	2,102
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
On bank loans and overdrafts	13,007	20,604
On other loans	-	630
	<u> </u>	<u> </u>
	<u>13,007</u>	<u>21,234</u>

6. AUDITORS' REMUNERATION

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	14,750	14,500
Fees payable to the Company's Auditor and its associates in respect of:		
Taxation compliance services	2,750	4,000
Corporate finance services	-	22,500
Other services	2,500	2,000
	<u> </u>	<u> </u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014**

7. DIRECTORS' EMOLUMENTS

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

8. EMPLOYEE INFORMATION

Staff costs were as follows:

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Wages and salaries	1,860,783	1,770,362
Social security costs	123,113	121,620
Other pension costs	68,658	32,415
	<u>2,052,554</u>	<u>1,924,397</u>

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

	Period ended 5 January 2014 No.	Period ended 6 January 2013 No.
Full time	72	72
Part time	63	55
	<u>135</u>	<u>127</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014**

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Locos and rolling stock £	Office equipment and motor vehicles £	Commercial fixtures, fittings & equipment £	Capital work in progress £	Total £
Cost						
At 7 January 2013	14,318,800	737,801	220,265	1,076,050	208,762	16,561,678
Additions	309,721	68,367	12,909	97,304	50,686	538,987
Transfer between classes	101,815	-	8,117	41,862	(151,794)	-
At 5 January 2014	14,730,336	806,168	241,291	1,215,216	107,654	17,100,665
Depreciation						
At 7 January 2013	3,443,691	680,223	170,656	493,420	-	4,787,990
Charge for the period	436,242	4,684	8,431	50,173	-	499,530
At 5 January 2014	3,879,933	684,907	179,087	543,593	-	5,287,520
Net book value						
At 5 January 2014	10,850,403	121,261	62,204	671,623	107,654	11,813,145
At 6 January 2013	10,875,109	57,578	49,609	582,630	208,762	11,773,688

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 in line with the accounting policy.

10. STOCKS

	5 January 2014 £	6 January 2013 £
Stores	295,036	216,317
Goods for resale	190,659	200,221
	485,695	416,538

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014

11. DEBTORS

	5 January 2014 £	6 January 2013 £
Trade debtors	216,068	156,816
Other debtors	119,303	67,330
Prepayments and accrued income	144,697	88,680
	<u>480,068</u>	<u>312,826</u>

12. CASH AT BANK AND IN HAND

	5 January 2014 £	6 January 2013 £
Balance at bank	1,157,986	785,014
Petty cash and cash floats	8,141	8,440
	<u>1,170,286</u>	<u>793,454</u>

13. CREDITORS:
Amounts falling due within one year

	5 January 2014 £	6 January 2013 £
Bank loans	143,820	140,556
Other loans	47,126	116,432
Trade creditors	460,635	406,336
Other taxation and social security	39,665	35,294
Other creditors	182,492	161,515
Accruals and deferred income	282,085	290,633
	<u>1,155,823</u>	<u>1,150,766</u>

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

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014

14. CREDITORS:
Amounts falling due after more than one year

	5 January 2014 £	6 January 2013 £
Bank loans	359,985	505,525
Accruals and deferred income	5,172,272	5,415,180
	<u>5,532,257</u>	<u>5,920,705</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	5 January 2014 £	6 January 2013 £
Bank loans repayable by instalments	<u>73,163</u>	<u>119,362</u>

Loan 1 - Kidderminster

The loan limit is capped at £550,000 and was initially repayable in monthly instalments of £3,863 repayable within twenty years from draw down in April 2006. From 1 April 2008, monthly instalments were increased to £4,000 (including interest) in order to accelerate repayment of the capital amount. At 5 January 2014 £42,960 is repayable within one year, £171,852 repayable in 2 to 5 years and £73,163 repayable in over 5 years.

Interest is charged at 1.25% over the HSBC Bank plc base rate.

Loan 2 - Arley and Bewdley South Viaduct

The loan limit is capped at £500,000 and is repayable over a term of five years. The total amount drawn down was £492,918 and repayment commenced on 4 April 2011 at a rate of £8,928 (including interest). At 6 January 2013 £100,858 is repayable within one year and £114,968 repayable in 2 to 5 years.

Interest is charged at 2.24% over the HSBC Bank plc base rate.

Both 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.

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.

The grants and donations are being released to the Profit and Loss Account over the economic useful life of the respective asset and in line with depreciation for freehold buildings.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 JANUARY 2014

15. TAXATION

Corporation Tax and Deferred Tax

No corporation tax or deferred tax is chargeable to either the current or the prior period.

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 20% (2013 - 20%). The differences are explained below:

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Profit on ordinary activities before tax	61,891	58,158
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013 - 20%)	12,378	11,632
Effects of:		
Expenses not deductible for tax purposes	7	4
Depreciation on ineligible assets	68,014	70,042
Adjustments to tax charge in respect of previous periods	37	18
Donations received	(41,351)	(33,421)
Unrelieved tax losses / (Utilisation of brought forward tax losses)	2,754	606
Release of deferred income	(41,839)	(48,826)
Other differences	-	(55)
Current tax charge for the period (see note above)	-	-

Factors that may affect future tax charges

The tax rate of 20% (2013 - 20%) has been used, as the Directors consider that this is the rate applicable to the Company taking into account its expected level of future profits.

The Company has a potential deferred tax asset of £719,373 (2013 - £718,803) relating to tax losses carried forward and a potential deferred tax asset of £833,728 (2013 - £875,567) relating to fixed asset timing differences.

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.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014**

16. SHARE CAPITAL

	5 January 2014 £	6 January 2013 £
Authorised		
8,000,000 Ordinary shares of £1 each	8,000,000	8,000,000
Allotted, called up and fully paid		
6,845,601 (2013 - 5,781,463) Ordinary shares of £1 each	6,755,651	5,781,463

During the period the Company issued 974,188 Ordinary shares at par.

Share capital is shown net of direct share offer costs of £89,950.

17. RESERVES

	Profit and loss account £
At 7 January 2013	443,572
Profit for the financial period	61,891
At 5 January 2014	505,463

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	5 January 2014 £	6 January 2013 £
Opening shareholders' funds	6,225,035	5,110,401
Profit for the financial period	61,891	58,158
Shares issued during the period (net of direct share offer costs)	974,188	1,056,476
Closing shareholders' funds	7,261,114	6,225,035

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014**

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Operating profit	74,331	79,209
Depreciation of tangible fixed assets	499,530	496,528
Increase in stocks	(69,157)	(144,545)
(Increase)/decrease in debtors	(167,242)	94,494
Decrease in creditors	(171,809)	(302,635)
Net cash inflow from operating activities	165,653	223,051

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Returns on investments and servicing of finance		
Interest received	567	183
Interest paid	(13,007)	(21,234)
Net cash outflow from returns on investments and servicing of finance	(12,440)	(21,051)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(538,987)	(532,112)
Financing		
Issue of ordinary shares (net of direct share offer costs)	974,188	1,056,476
Repayment of loans	(211,582)	(258,372)
New loans	-	60,000
Net cash inflow from financing	762,606	858,104

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 JANUARY 2014**

21. ANALYSIS OF CHANGES IN NET FUNDS

	7 January 2013	Cash flow	Other non-cash changes	5 January 2014
	£	£	£	£
Cash at bank and in hand	793,454	376,832	-	1,170,286
Debt:				
Debts due within one year	(256,988)	211,582	(145,540)	(190,946)
Debts falling due after more than one year	(505,525)	-	145,540	(359,985)
Net funds	<u>30,941</u>	<u>588,414</u>	<u>-</u>	<u>619,355</u>

22. CAPITAL COMMITMENTS

At 5 January 2014 the company had capital commitments as follows:

	5 January 2014	6 January 2013
	£	£
Capital expenditure that has been contracted for, but has not been provided for in these financial statements	<u>304,000</u>	<u>55,122</u>

23. PENSION SCHEME

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company and are in an independently administered fund. The pension cost charge against profits in the period represents contributions payable to the fund and amounted to £66,658 (2013 - £39,263).

24. OTHER FINANCIAL COMMITMENTS

At 5 January 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	5 January 2014	6 January 2013
	£	£
Expiry date:		
Within 1 year	<u>2,868</u>	<u>2,102</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 JANUARY 2014

25. 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 that assist in the operation of the railway. During the period, the following transactions were undertaken with Severn Valley Railway Company Limited who own 22.5% of the Company's shares.

	Period ended 5 January 2014 £	Period ended 6 January 2013 £
Recharges to SVR Co Ltd	<u>35,934</u>	<u>39,019</u>
Recharges from SVR Co Ltd	<u>9,996</u>	<u>12,134</u>

Interest of £148 (*prior period* - £630) was charged during the period on the outstanding loan balance at interest rates of between 0.5% above the ruling money market rate for investments and a flat rate of 2%.

The balance due from Severn Valley Railway Company Limited at 5 January 2014 was £24,978 (6 January 2013 - due to Severn Valley Railway Company Limited £17,193) and this figure is included in Debtors (*Prior period*- Creditors).

Severn Valley Railway Association

Severn Valley Railway Association is a body created to fundraise, support and communicate from the working members of the Severn Valley Railway to the Severn Valley Railway (Holdings) plc Board of Directors.

Donations were received from Severn Valley Railway Association in the period amounting to £5,500

Severn Valley Railway Charitable Trust Limited

Severn Valley Railway Charitable Trust Limited is a registered charity, set up by the SVR family in 2002 to help ensure the long term future of rolling stock based on the Severn Valley Railway.

A loan of £30,000 was made during the period from Severn Valley Railway (Holdings) plc to Severn Valley Railway Charitable Trust. The loan is interest free and there is no fixed repayment date.

Donations were received from Severn Valley Railway Charitable Trust Limited in the period amounting to £21,595.