

REPORT AND FINANCIAL STATEMENTS



Severn Valley Railway (Holdings)

Public Limited Company

(Registered No. 1046274)

FOR THE YEAR ENDED 31 DECEMBER 2004

NOTICE OF MEETING

Notice is hereby given that the Thirty Third Annual General Meeting of the above-named Company will be held at The Castle Hall, West Castle Street, Bridgnorth, Shropshire on Saturday 9 July 2005 at 8.00 pm to transact the following business:

1. To approve the Minutes of the 2004 Annual General Meeting and to consider any matters arising therefrom.
2. To elect Directors.
3. To consider the Company's Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2004.
4. To consider and, if thought fit, pass the following as a Special Resolution:
"THAT
 - a) The Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in the said Section 80) up to the aggregate nominal amount by which the authorised but unissued share capital of the Company exceeds the issued share capital of the Company as at the date of this Meeting provided however that this power shall expire on the fifth anniversary of the date of this Meeting save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power hereby conferred had not expired;
 - b) The Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of the said Act) pursuant to the authority referred to in paragraph (a) of this Resolution as if Section 89 (1) of the said Act did not apply to any such allotment".
5. To re-appoint Horwath Clark Whitehill LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.
6. To transact any other business which may be properly transacted at an Annual General Meeting.

By order of the Board
A S Harding
Secretary

3 May 2005

The Railway Station, Bewdley, Worcestershire DY12 1BG

Note: Any member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote in his/her stead. A proxy need not be a member of the Company.

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

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DIRECTORS, OFFICERS AND ADVISERS

Directors

M R York - Chairman
R S Smith - Deputy Chairman
A Barker
A Davies (SVR Assoc Representative)
R F Hobson (SVR Co Ltd Representative)
C F Homer
A D Owen
N C Paul
R K Power
C G Thomas
C W Walton
D C Williams (SVR Co Ltd Representative)

Secretary and Registered Office

A S Harding
The Railway Station
Bewdley
Worcestershire DY12 1BG

Stockbrokers

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

Registrar

A S Harding
The Railway Station
Bewdley
Worcestershire DY12 1BG

Registered Auditors

Horwath Clark Whitehill LLP
Foley House
123 Stourport Road
Kidderminster
Worcestershire DY11 7BW

Bankers

HSBC Bank plc
31 Church Street
Kidderminster
Worcestershire DY10 2AY

Solicitors

Harrison Clark
5 Deansway
Worcester WR1 2JG

NOTE

For the purposes of this Report and Accounts:

“SVR Assoc” is the Severn Valley Railway Association

“SVR Co Ltd” is the Severn Valley Railway Company Limited

CHAIRMAN'S STATEMENT

2004 was another eventful and successful year for the Railway. It began promisingly with visitor numbers holding up well against budget, dropped back slightly through the Summer months due in no small measure to some very unseasonal weather, and finished with a good Autumn and a really excellent December. As a result, and despite the loss of some 8,000 passengers in the Spring when the southern end of the line was closed for 6 weeks to carry out urgent repairs to Victoria Bridge, we still managed to carry 242,258 passengers, the second highest figure ever achieved.

Total revenues from all areas of activity on the Railway held up well and at £4.077 million were only marginally below the record figure achieved in 2003, despite the fall in passenger numbers. Traffic revenue reached £2.138 million, an increase over the previous year. Of this, more than £680,000 came from our Special Events, almost £100,000 from Footplate Experience Courses and over £73,000 from the School Education Services. This latter represents a 49% increase over 2003 for this new revenue source and reflects the considerable effort being put into promoting and expanding our educational programme. Whilst there are signs that Thomas the Tank Engine may be losing some of his appeal to the youngsters, our Santa operation proved more popular than ever achieving both record passenger numbers and revenues.

All profit centres had an excellent trading year. Overall profitability from our bars, catering, giftware and contract engineering increased by more than 3% over 2003. Given the reduction in visitor numbers it is encouraging to see that the bars were again able to improve their performance, indicating that they are becoming increasingly less dependant on railway traffic to grow the business. Although we spent slightly less on publicity compared to 2003, more carefully targeted marketing enabled us to increase TV, radio and press publicity and extended our area of advertising coverage. There was also greater use of Direct Mail from our expanding database. Maintenance expenditure continued at a high level but efforts to contain the consumption of water, gas and electricity proved unsuccessful as the cost of these rose to more than £104,000. This is a cost area which is controllable and we will continue to urge constraint in the use of these utilities. Through its financial disciplines the Company managed to limit its exposure to bank borrowings to a minimum, whereas interest received increased to £5,800 as a result of higher bank balances in credit. I am pleased to report that profit before tax on ordinary activities rose to £54,008.

The Company carried out an ambitious £ ½ million capital-spending programme during the year. This was funded mainly from our internal resources and we still managed to have a positive cash balance at the year-end. The major project was the refurbishment of Victoria Bridge, which included replacement of the decking and a complete repaint, at a cost of £368,000. Other projects included the re-roofing of Hampton Loade station house, with funding kindly provided by Severn Valley Railway Company Limited, the refurbishment of Bridgnorth station footbridge with cash funds mainly provided from the bonus earned by the Company on the Severn Valley Branch Account operated by the West Bromwich Building Society, the replacement of Northwood Level Crossing, the rebuilding of a collapsed culvert near Hampton Loade and the purchase of a Road/Rail Vehicle for use by the Permanent Way Department.

The locomotive fleet was strengthened by the welcome return to traffic of 5164 and not only did it look good it also performed very reliably. It was another job well done by the Bridgnorth staff in addition to maintaining a working fleet of up to 12 locos some of which also flew the SVR flag in various places around the country. At Kidderminster and Bewdley the carriage and wagon staff also had a very busy year, undertaking repairs and repaints to a greater or lesser extent on no fewer than 16 vehicles, quite apart from the routine maintenance required to keep 6 sets of coaches operating safely. Kitchen Car 1667 underwent possibly the most comprehensive overhaul we have tackled to date, including fitting new equipment to a modified kitchen layout to suit our particular operation of the vehicle. The year also saw the welcome addition of 4 apprentices to the maintenance department, two in C&W and two in loco.

CHAIRMAN'S STATEMENT (continued...)

In my statement last year I reported on the progress of plans for a locomotive display building at Highley, when it was expected that a Stage 2 application to the Heritage Lottery Fund would be submitted within months. In the event, detailed ground surveys highlighted major problems on the site and this inevitably led to delays in design work. A considerable amount of management time has been spent since then trying to resolve the issues of design, cost and funding and I am pleased to say the project has now been granted planning permission and has also received confirmation of promised funding from the European Regional Development Fund and Advantage West Midlands. Submission of the Stage 2 application to HLF is now imminent and we remain hopeful of a favourable outcome for this exciting project. A great deal of time has also been spent in committee, working up plans for the proposed extension of Kidderminster Station, which has already attracted significant support from shareholders, for which we are most grateful. The plans have been considerably revised from the original proposal, with a consequent uplift in cost, and a decision on the best way forward will be taken in the very near future.

Over the last 18 months a Working Party has been looking into the benefits of obtaining charitable status and to see how this could be achieved within the existing SVR Organisation. This is a complex issue encompassing the Guarantee Company as well as the Holdings Company, and not forgetting the Association and the Rolling Stock Trust. Consultation has taken place with the largest shareholders and working members of the Guarantee Company. Views have been sought and questions have been answered. Working Party proposals have been presented to directors at a joint meeting of the two company boards, as a result of which there was a majority view to look more closely at the option of converting the Guarantee Company to charitable status. Both boards have agreed the Railway would benefit from rate relief, gift aid and legacies to support its future financial security and have further agreed to establish a Development Planning and Fund Raising function.

All the indications are that 2005 is not going to be an easy trading year. Visitor numbers have yet to reach expectations and this appears to be the case throughout the leisure industry in the West Midlands Region. Once again the weather has not helped and there is a suspicion that higher interest rates and mortgage repayments are restricting the amount of disposable income available for leisure pursuits. It is also likely the demise of MG Rover at Longbridge, in the heart of our main catchment area, will impact on us to some extent. We will be monitoring the situation closely and, if necessary, we shall be tightening our belts. On a more positive note work has now commenced on the refurbishment of the 7 arch Wribbenhall Viaduct at Bewdley, a project which will be spread over several years. A start has also been made on repairs to Bridgnorth goods shed roof courtesy of a grant from Bridgnorth District Council and financial assistance from Severn Valley Railway Company Ltd. Look out for even cleaner coach sets shortly. Board approval has been given for the purchase of a carriage washing plant, to be installed at Kidderminster, with the income from the West Bromwich Building Society Severn Valley Branch Account once again making a significant contribution to the cost of an important project.

2004 was a year of progress and success for the Railway, thanks to the unstinting support and commitment of all our staff and supporters. 2005 marks another milestone in the life of the SVR, being the 40th Anniversary of the formation of the SVR Society which started it all off. If you are able to pay us a visit in this special year and see how YOUR Railway has developed, we would love to see you. And don't forget, 2005 is also the Year of the Volunteer. We always need more!

M R York
Chairman

3 May 2005

DIRECTORS' REPORT

Directors' Report for the year ended 31 December 2004

The Directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal Activity

The principal activity of the Company is to operate the Severn Valley Railway between Bridgnorth in Shropshire and Kidderminster in Worcestershire. A review of the year is included in the Chairman's Statement on pages 4 to 5 and which is deemed to form part of this Report.

Results and Dividends

The result for the year is stated in the Profit and Loss Account on page 10.

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. During 2004 the Company made a profit before tax of £54,008 compared to a profit of £48,252 in 2003. This year's deferred taxation credit of £15,305 has resulted in a retained profit of £69,313 being transferred to reserves.

Directors

The Directors of the Company are listed on page 3.

Directors' Interests

The interests of the current Directors in the shares of the Company at 31 December 2004, together with their beneficial interests at 1 January 2004, or date of their appointment, were:

	1 January 2004	31 December 2004
A Barker	4,010	4,130
A Barker – Trustee holding for SVR Association	43,978	43,978
A Davies	500	500
R F Hobson	350	350
C F Homer	1,510	1,510
A D Owen	500	500
N C Paul	251	251
R K Power	1,501	1,501
R S Smith	7,500	7,500
C G Thomas	302	302
C W Walton	600	600
D C Williams	2,005	2,005
M R York	425	425

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 were deemed to be minimal.

Suppliers Payment Policy

It is the Company's policy that payments to suppliers are made in accordance with mutually agreed terms as far as possible, provided that the supplier is also complying with all relevant terms and conditions. The Company's average number of days outstanding in respect of trade creditors at 31 December 2004 was 42.

DIRECTORS' REPORT

Directors' Report for the year ended 31 December 2004 (Continued...)

Charitable Donations

During the year the Company made charitable donations of £1,675 (2003: £1,000).

Substantial Shareholdings

The following had holdings in excess of 3% of the issued share capital of the Company at 31 December 2004.

	No. of Shares	% of Total
SVR Co. Ltd	742,181	22.7
Rubery Owen Holdings Ltd	150,000	4.6

Fixed Assets

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

Auditors

Horwath Clark Whitehill LLP have expressed their willingness to continue in office as Auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

By order of the Board



A S Harding
Company Secretary

3 May 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The purpose of this statement is to distinguish the Directors' responsibilities for the accounts from those of the Auditors, as stated in their Report.

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the Company's state of affairs at the end of the year and of its profit and loss for that period. In preparing those accounts, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS OF SEVERN VALLEY RAILWAY (HOLDINGS) PLC

We have audited the financial statements of Severn Valley Railway (Holdings) PLC for the year ended 31 December 2004 set out on pages 10 to 23. These financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and the accounting policies set out on pages 14 and 15.

This Report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Auditors' 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 AUDITORS

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

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

UNQUALIFIED OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Horwath Clark Whitehill LLP.

Chartered Accountants

Registered Auditors

Foley House

123 Stourport Road

Kidderminster

Worcs

DY11 7BW

3 May 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	3,855,937	3,875,558
Cost of sales		<u>(3,489,119)</u>	<u>(3,509,223)</u>
Gross profit		366,818	366,335
Administrative expenses		<u>(539,720)</u> <u>(172,902)</u>	<u>(525,675)</u> <u>(159,340)</u>
Other operating income	3	<u>221,504</u>	<u>205,302</u>
Operating Profit		48,602	45,962
Interest received		5,795	2,971
Interest payable and similar charges	4	<u>(389)</u>	<u>(681)</u>
Profit on ordinary activities before taxation	5	54,008	48,252
Tax on ordinary activities	14	<u>15,305</u>	<u>94,080</u>
Retained profit for the financial year	17/18	<u>69,313</u>	<u>142,332</u>

All amounts in the current and preceding year relate to continuing operations.

Note of historical cost profits and losses

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

The notes on pages 14 to 23 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
Profit for the financial year	69,313	142,332
Unrealised (deficit)/surplus on revaluation of properties	<u>(360,108)</u>	<u>1,013,732</u>
Total recognised gains and losses relating to the year	<u>(290,795)</u>	<u>1,156,064</u>

The notes on pages 14 to 23 form part of these financial statements.

BALANCE SHEET

31 DECEMBER 2004

	Notes	2004 £	2003 £
Fixed Assets			
Tangible Assets	8	<u>7,703,447</u>	<u>7,711,376</u>
Current Assets			
Stocks	9	233,918	234,948
Debtors	10	276,408	245,046
Cash at bank and in hand	11	<u>380,020</u>	<u>614,287</u>
		890,346	1,094,281
Creditors: Amounts falling due within one year	12	<u>(951,729)</u>	<u>(934,749)</u>
Net Current (Liabilities)/Assets		(61,383)	159,532
Total Assets Less Current Liabilities		7,642,064	7,870,908
Creditors: Amounts falling due after more than one year	13	<u>(1,811,802)</u>	<u>(1,844,639)</u>
		5,830,262	6,026,269
Provisions for liabilities and charges			
Deferred taxation	14	<u>(102,286)</u>	<u>(117,591)</u>
Net Assets		<u>5,727,976</u>	<u>5,908,678</u>
Capital and Reserves			
Called up share capital	16	3,267,574	3,157,481
Revaluation reserve	17	1,538,784	1,913,237
Profit and loss account	17	<u>921,618</u>	<u>837,960</u>
Shareholders' Funds	18	<u>5,727,976</u>	<u>5,908,678</u>

The Financial Statements on pages 10 to 23, were approved by the Board of Directors on 3 May 2005 and signed on its behalf by:

M R York

}
}
} Directors

m r York

R S Smith

}
}

R.S. Smith

The notes on pages 14 to 23 form part of these financial statements.

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Net cashflow from operating activities		<u>164,439</u>	<u>478,018</u>
Returns on investment and servicing of finance			
Interest received		5,795	2,971
Interest paid		<u>(389)</u>	<u>(681)</u>
Net cashflow from investment and servicing of finance		<u>5,406</u>	<u>2,290</u>
Taxation			
Tax paid		<u>-</u>	<u>-</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(514,205)	(152,563)
Sale of tangible fixed assets		<u>-</u>	<u>19,000</u>
Net cash outflow from investment and servicing of finance		<u>(514,205)</u>	<u>(133,563)</u>
Net cash (outflow)/inflow before financing		(344,360)	346,745
Financing			
Issue of ordinary share capital		<u>110,093</u>	<u>122,407</u>
Net cash inflow from financing		<u>110,093</u>	<u>122,407</u>
(Decrease)/increase in cash in the year	23	<u>(234,267)</u>	<u>469,152</u>

Note to the cash flow statement

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	48,602	45,962
Depreciation charge	162,026	163,584
Profit on sale of tangible fixed assets	-	(15,104)
Movement in working capital:		
Decrease in stocks	1,030	59,393
Increase in debtors	(31,362)	(4,402)
(Decrease)/increase in creditors	<u>(15,857)</u>	<u>228,585</u>
Net cash inflow from operating activities	<u>164,439</u>	<u>478,018</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1. Principal accounting policies

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

Basis of accounting

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

Tangible fixed assets

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

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

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

A full valuation of the freehold land and buildings was made on 25 December 2003 by professionally qualified valuers. The basis of valuation is in accordance with Financial Reporting Standard Number 15 as follows:

- Freehold land, bridges and tunnels at market value
- Non-specialised property, including the stations and engineering works, at existing use value
- Specialised property, the carriage shed, at depreciated replacement cost

Full valuations are undertaken every 5 years with an interim valuation in the 3rd year. The Directors review the assets in the intervening years to ensure that there are no material changes requiring disclosure.

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

Freehold buildings and permanent way	2% - 20% on cost or valuation
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	10% - 20% on cost

Freehold land is not depreciated.

Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (Continued...)

1. Principal accounting policies - continued

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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.

Pension costs

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

Grants

Grants are released to the profit and loss account over the same period to which the related costs are charged. 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.

Rental Income

Rental income is on a receipts basis.

2. Turnover

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

3. Other operating income

	2004	2003
	£	£
Profit on the sale of assets	-	15,104
Rents received	24,654	27,701
Donations	157,176	122,823
Release of deferred grants/donations	<u>39,674</u>	<u>39,674</u>
	<u>221,504</u>	<u>205,302</u>

4. Interest payable and similar charges

	2004	2003
	£	£
On bank loans and overdrafts:		
Repayable within 5 years, not by instalments	-	526
On other loans	<u>389</u>	<u>155</u>
	<u>389</u>	<u>681</u>

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2004** (Continued...)

5. Profit on ordinary activities before taxation

	2004 £	2003 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on tangible owned fixed assets	162,026	163,584
Hire of other assets – operating leases	3,671	3,713
Auditors' remuneration for:		
Audit	8,291	7,750
Tax	<u>1,500</u>	<u>1,500</u>

Revenue grants of £79,694 have been set off against related expenditure during the year.

6. Directors' emoluments

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

7. Employee information

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

	2004 Number	2003 Number
Full time	73	66
Part time	<u>29</u>	<u>35</u>
	<u>102</u>	<u>101</u>
	£	£
Staff costs for the above		
Wages and salaries	1,188,126	1,140,354
Social security costs	89,889	86,019
Other pension costs	<u>52,969</u>	<u>47,229</u>
	<u>1,330,984</u>	<u>1,273,602</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (Continued...)

8. Tangible fixed assets

	Total £	Freehold land and buildings £	Locos and rolling stock £	Commerci al fixtures, fittings and equipment £	Office equipment and motor vehicles £	Capital work in progress £
Cost or valuation						
At 1 January 2004	8,575,923	7,412,591	689,320	339,199	88,169	46,644
Additions	514,205	444,874	-	14,619	15,000	39,712
Disposals	-	-	-	-	-	-
Reclassification	-	7,803	-	-	-	(7,803)
Revaluation	(360,108)	(360,108)	-	-	-	-
At 31 December 2004	<u>8,730,020</u>	<u>7,505,160</u>	<u>689,320</u>	<u>353,818</u>	<u>103,169</u>	<u>78,553</u>
Depreciation						
At 1 January 2004	864,547	-	595,353	187,327	81,867	-
Charge for the year	162,026	107,556	27,618	21,201	5,651	-
Disposals	-	-	-	-	-	-
At 31 December 2004	<u>1,026,573</u>	<u>107,556</u>	<u>622,971</u>	<u>208,528</u>	<u>87,518</u>	<u>-</u>
Net book value						
At 31 December 2004	<u>7,703,447</u>	<u>7,397,604</u>	<u>66,349</u>	<u>145,290</u>	<u>15,651</u>	<u>78,553</u>
At 31 December 2003	<u>7,711,376</u>	<u>7,412,591</u>	<u>93,967</u>	<u>151,872</u>	<u>6,302</u>	<u>46,644</u>

The freehold land and buildings were revalued on 25 December 2003 in accordance with the accounting policy by R J Wilkins, FRICS, of Wilkins Surveyors Limited, a firm of chartered surveyors. R J Wilkins is a minority shareholder of Severn Valley Railway (Holdings) Plc. In accordance with accounting standards the directors have reviewed the revaluation at the year end and made material adjustments where deemed necessary.

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

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

	2004 £	2003 £
Land and Buildings		
Cost	6,785,720	6,350,222
Aggregate depreciation	<u>(942,497)</u>	<u>(850,868)</u>
Net book value	<u>5,843,223</u>	<u>5,499,354</u>

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2004** (Continued...)

9. Stocks

	2004 £	2003 £
Goods for resale	114,104	122,640
Stores	<u>119,814</u>	<u>112,308</u>
	<u>233,918</u>	<u>234,948</u>

10. Debtors

	2004 £	2003 £
Trade debtors	138,916	119,116
Other debtors	34,279	45,081
Prepayments and accrued income	<u>103,213</u>	<u>80,849</u>
	<u>276,408</u>	<u>245,046</u>

11. Cash at bank and in hand

	2004 £	2003 £
Balance at bank	374,155	608,932
Petty cash and cash floats	<u>5,865</u>	<u>5,355</u>
	<u>380,020</u>	<u>614,287</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 (Continued...)

12. Creditors - Amounts falling due within one year

	2004 £	2003 £
Trade creditors	391,633	416,884
Other taxation and social security	26,396	25,844
Other creditors	153,470	156,975
Accruals and deferred income	<u>380,230</u>	<u>335,046</u>
	<u>951,729</u>	<u>934,749</u>

13. Creditors - Amounts falling due after more than one year

	2004 £	2003 £
Deferred income	<u>1,811,802</u>	<u>1,844,639</u>
	<u>1,811,802</u>	<u>1,844,639</u>

The deferred income represents a Heritage Lottery Fund grant and public donations towards the Kidderminster carriage shed and Kidderminster station building extension and is to be released to the profit and loss account over the economic useful life of the asset in line with depreciation.

14. Taxation

14.1 Corporation Tax

	2004 £	2003 £
Analysis of tax charge in year		
Current tax (see note 14.2)		
UK corporation tax on profits of the year	—	—
Deferred tax		
Accelerated capital allowances	85,829	(70,985)
Short term timing differences	(1,183)	(2,006)
Taxable losses carried forward	<u>(99,951)</u>	<u>(21,089)</u>
Total deferred tax (see note 14.3)	<u>(15,305)</u>	<u>(94,080)</u>
Tax on profit on ordinary activities	<u>(15,305)</u>	<u>(94,080)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (Continued...)

14. Taxation (continued)

14.2 Factors affecting tax charge for the year

The tax assessed is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>54,008</u>	<u>48,252</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2003-19%)	10,262	9,168
Effects of:		
Donations received	(29,864)	(23,336)
Movement on accelerated capital allowances	(75,515)	(1,846)
Expenses not deductible for tax purposes.	1,080	458
Unrelieved tax losses	100,008	21,089
Release of deferred income	(7,538)	(7,538)
Other differences	<u>1,567</u>	<u>2,005</u>
Current tax charge for the year (see note above)	<u>=</u>	<u>=</u>

There were no factors that may affect future tax charges.

The tax rate of 19% has been used as the Directors consider that this is the rate applicable to the Company taking into account its level of profits.

14.3 Deferred Taxation

	2004 £	2003 £
At 1 January 2004	117,591	211,671
Charge for the year	(17,654)	(14,472)
Credit/(charge) for the previous year	<u>2,349</u>	<u>(79,608)</u>
At 31 December 2004	<u>102,286</u>	<u>117,591</u>

The provision for deferred tax is made up as follows:

Accelerated capital allowances	433,946	348,117
Short term timing differences	<u>(5,883)</u>	<u>(4,700)</u>
	428,063	343,417
Taxable losses carried forward	(325,777)	(225,826)
	<u>102,286</u>	<u>117,591</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (Continued...)

15. Pension Scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company and are in an independently administered fund. The pension cost charge against profits in the year represents contributions payable to the fund and amounted to £52,969 (2003: £47,229).

16. Called up Share Capital

	2004 £	2003 £
Authorised ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>3,267,574</u>	<u>3,157,481</u>

The Company allotted 110,093 ordinary shares of £1 each at par during the year ended 31 December 2004.

Note: See also Results and Dividends in the Directors' Report on page 6.

17. Reserves

	Revaluation Reserve £	Profit and loss account £
At 1 January 2004	1,913,237	837,960
Historical cost depreciation adjustment	(14,345)	14,345
Revaluation	(360,108)	-
Profit for the financial year	-	69,313
At 31 December 2004	<u>1,538,784</u>	<u>921,618</u>

18. Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	69,313	142,332
Revaluation in the year	(360,108)	1,013,732
Issue of share capital	<u>110,093</u>	<u>122,407</u>
Net (reduction)/addition to shareholders' funds	(180,702)	1,278,471
Opening shareholders' funds	<u>5,908,678</u>	<u>4,630,207</u>
Closing shareholders' funds	<u>5,727,976</u>	<u>5,908,678</u>

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2004** (Continued...)

19. Capital commitments

	2004 £	2003 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>Nil</u>	<u>365,000</u>

20. Other financial commitments

The following annual commitments existed at 31 December 2004 in respect of non-cancellable operating leases:

	2004 £	2003 £
Plant and Equipment: Falling due in less than 1 year	<u>783</u>	<u>2,774</u>
Between 2 to 5 years	<u>897</u>	<u>897</u>
After 5 years	<u>1,808</u>	<u>-</u>

21. Related Party Transactions

During the year the following transactions were undertaken with Severn Valley Railway Company Limited who own 22.7 % of the Company's shares

	During 2004 £	Balance at 31.12.04 £	During 2003 £	Balance at 31.12.03 £
Recharges to SVR Co Ltd	<u>9,689</u>	<u>11,374</u>	<u>12,458</u>	<u>5,280</u>
Recharges from SVR Co Ltd	<u>151</u>	<u>151</u>	<u>225</u>	<u>264</u>

A loan of £70,000 was made and repaid during the year from Severn Valley Railway Company Limited to Severn Valley Railway (Holdings) Plc. Interest of £389 was paid on the loan.

22. Reconciliation of net cash flow to movements in net funds

	2004 £	2003 £
(Decrease)/increase in cash in the year	(234,267)	469,152
Net funds at the beginning of the year	<u>614,287</u>	<u>145,135</u>
Net funds at the end of the year	<u>380,020</u>	<u>614,287</u>

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2004** (Continued...)

23. Analysis of changes in net funds

	01.01.04	Cash flows	Non-cash movement	31.12.04
	£	£	£	£
Cash in hand and at bank/ total net funds	<u>614,287</u>	<u>(234,267)</u>	<u>-</u>	<u>380,020</u>

ADDITIONAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2004

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

Turnover	2004 £	2003 £
Traffic	2,049,842	2,003,736
Giftware (retail shops and wholesale)	413,768	439,984
Bars	668,925	639,816
Catering	420,531	435,222
Contract engineering	186,808	204,605
Locomotive hire	88,165	119,209
Other	27,898	32,986
	<u>3,855,937</u>	<u>3,875,558</u>

Cost of Sales Relating to Traffic includes Working Expenses of:

	2004 £	2003 £
Operating wages and salaries	686,945	638,801
Locomotive maintenance	238,809	251,343
Carriage maintenance and cleaning	87,492	131,437
Coal, oil and water	193,035	178,303
Civil engineering	71,694	47,339
Permanent way maintenance	32,316	58,343
Signals and telecommunications	9,700	10,354
Plant, machinery and electrical repairs	45,284	14,505
Visiting locomotive costs	20,000	24,850
Sundry traffic expenses	102,614	124,932
Depreciation of buildings and equipment	131,161	124,955
Events including Galas, Santa, Filming School Education and Thomas the Tank Engine © Gullane (Thomas) Ltd (2004)	156,178	189,903
Publicity	149,995	156,711
Station expenses	144,390	163,173
	<u>2,069,613</u>	<u>2,114,949</u>

ADDITIONAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2004 (Continued...)

Administrative Expenses:	2004 £	2003 £
Wages, salaries, pension and PHI	237,443	227,795
Bank charges	28,909	28,390
Rent, rates and insurance	144,121	139,555
Postage and telephone	29,312	29,224
Printing and stationery	13,110	13,423
Professional fees (including Civil Engineering fees)	7,425	11,065
Registrar's costs	9,300	8,446
Auditors' remuneration	8,291	7,750
General expenses	55,315	50,384
Office repairs	1,458	1,766
Motor travel	1,360	3,938
Entertainment	32	295
Depreciation of computer equipment	1,652	1,652
Office machinery leasing and hire of equipment	<u>1,992</u>	<u>1,992</u>
	<u>539,720</u>	<u>525,675</u>



Special Events in 2005

June 25/26 & July 2/3 – 1940s Weekends. Another opportunity to take a nostalgic look at Britain during the Second World War, with period cars and commercial vehicles, period dress, Big Band Shows, re-enactments and frequent trains linking all the activities.

July 30/31 – Severn Valley in Bloom. An event increasing in popularity, highlighting the beautiful station gardens and floral displays along the valley.

September 3/4 & 10/11 – ‘Day out with Thomas’ events ©. Further visits from that cheeky little engine and his many friends, with The Fat Controller keeping everyone in order. Advance booking advised on 01299 403816. © Gullane (Thomas) Ltd 2005. A HIT Entertainment Company.

September 23-25 – Autumn Steam Gala. One of the UK’s premier steam railway events with all-night running on Friday and Saturday, visiting locomotives and frequent services on all three days. Something for all the family to enjoy at our 40th birthday celebration.

October 9 – Classic Car & Bike Day. A comprehensive gathering of classic cars and motorcycles at stations all along the line. Now a firm perennial favourite!

October 14-16 – Diesel Gala. An intensive service of trains using some of our historic diesel locomotives. On October 14, all trains will be diesel-hauled.

December 3/4, 10/11, 17/18 & 24 – Santa Steam Specials. An intensive service of special trains from Kidderminster to Arley with presents for all children (aged 1 to 15). Further details will be available from late August 2005. Advance booking is essential on 01299 403816 from October 3 onwards.

December 21-23 – Santa Heralds. A chance to ride on our heritage diesel unit and see Santa on the train. Details will be available from late August 2005.

December 26 to 31 and January 1/2, 2006 - Festive Season Specials. After Christmas, why not relax with a leisurely ride along the beautiful Severn Valley? No advance booking required.

Finally, a reminder that the SVR has developed a comprehensive range of events for schools covering a wide variety of topics. Our Education Officer will be delighted to hear from any teacher or PTA wishing to arrange a visit.

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