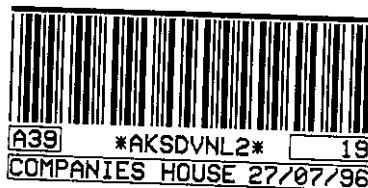


MIDLAND RAILWAY ENTERPRISES PLC
FINANCIAL STATEMENTS
AND
REPORT OF THE DIRECTORS
YEAR ENDED
31 DECEMBER 1995



Midland Railway Enterprises Plc
Registered in England No. 2279310

COMPANY PARTICULARS

Directors

A R Johnson	A A Moore
A West	J Twells
S Radford	P Deane
R W G Pickford	C Deeth
J A Brindley	P Roberts

Secretary

A A Moore

Registered Office

Butterley Station
Ripley
Derbyshire

Auditors

Hunter, Jones, Alton
36 Bridge Street
Belper
Derbyshire

Bankers

Yorkshire Bank plc
30 Oxford Street
Ripley
Derbyshire

Midland Railway Enterprises Plc

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

The Directors present their Report and Audited Financial Statements of the Company for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES

The Company carries on the trading activities previously entered into by Midland Railway Trust Limited, its parent.

RESULTS FOR THE YEAR

The results of the company are detailed on page 4 of the financial statements.

FIXED ASSETS

A summary of the changes in Fixed Assets is given in Note 5 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company during the year ended 31 December 1995 are shown on page 1. Their interests in the Company's ordinary shares are as follows:-

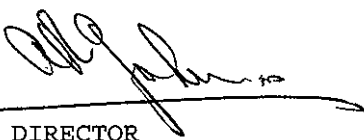
	ORDINARY £1 SHARES	
	<u>1995</u>	<u>1994</u>
A R Johnson	500	500
J C Hancock	-	350
A A Moore	1000	1000
J Twells	1000	1000
S Radford	110	110
A West	500	500
C Deeth	1500	1000
P Deane	420	350
J A Brindley	500	-
R W G Pickford	500	-

AUDITORS

In accordance with Section 385(2) of the Companies Act 1985, a resolution proposing the re-appointment of Hunter, Jones, Alton as auditors to the Company, will be put to the Annual General Meeting.

Advantage is taken in the preparation of the directors' report of the special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985. In the directors' opinion, the company is entitled to those exemptions as a small company.

This report was approved by the Board on 14 May 1996


A handwritten signature in dark ink, appearing to be 'A. R. Johnson', is written over a horizontal line.

DIRECTOR

Midland Railway Enterprises Plc

AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 1995

AUDITORS REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

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

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the provision of the Companies Act 1985 applicable to small companies.



Hunter, Jones, Alton
Chartered Accountants & Registered Auditor
36 Bridge Street
Belper
Derbyshire

June 1996

Midland Railway Enterprises Plc
 STATUTORY PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995	1994
Turnover		255571	250112
Cost of Sales		<u>(206189)</u>	<u>(216440)</u>
Gross Profit		49382	33672
Selling Expenses		(8733)	(9768)
Administration Expenses		(37044)	(36389)
Other Operating Costs		<u>(859)</u>	<u>(6844)</u>
Operating Profit/(Loss)		2746	(19329)
Interest Payable & Similar Charges	2	(13)	(15)
Interest Receivable & Similar Income		15	16
Share Issue Expenses		<u>-</u>	<u>(11716)</u>
Retained Profit/(Loss) for the Year	3	2748	(31044)
Profit & Loss Account Brought Forward		<u>(89391)</u>	<u>(58347)</u>
Profit & Loss Account Carried Forward		<u><u>(86643)</u></u>	<u><u>(89391)</u></u>

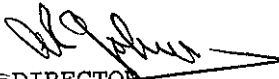
The company made no gains or losses in 1994 or 1995 other than the profit or loss for the year

The notes on pages 7 to 9 form part of these financial statements

Midland Railway Enterprises Plc
BALANCE SHEET AS AT 31 DECEMBER 1995

	Notes	1995	1994
FIXED ASSETS			
Tangible Assets	5	72432	48983
Investment in Subsidiary	5A	<u>2</u>	<u>2</u>
		72434	48985
CURRENT ASSETS			
Stocks	6	46874	48537
Debtors	7	5175	641
Cash at Bank & in Hand		<u>222</u>	<u>69</u>
		<u>52271</u>	<u>49247</u>
CREDITORS: amounts falling due within one year			
Bank Overdraft		3269	1555
Other Creditors	8	<u>91463</u>	<u>72530</u>
		<u>94732</u>	<u>74085</u>
NET CURRENT LIABILITIES		(42461)	(24838)
		<u>29973</u>	<u>24147</u>
CAPITAL & RESERVES			
Called Up Share Capital	9	116616	113538
Profit & Loss Account		(86643)	(89391)
		<u>29973</u>	<u>24147</u>

The financial statements on pages 4 to 9 were approved by the Board on 14 May 1996


DIRECTOR

The notes on pages 7 to 9 form part of these financial statements

Midland Railway Enterprises Plc

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995	1994
Net Cash Outflow from Operating Activities	10	15803	(5711)
Cash Flows from Servicing of Finance			
Interest Received		15	16
Interest Paid		(13)	(15)
Net Cash Outflow from Servicing of Finance		2	1
Net Cash Outflow from Investing Activities			
Purchase of Fixed Assets		-	(2680)
Transfer of Assets from Holding Company		(20444)	-
Net Cash Outflow before Financing		(4639)	(8390)
Cash Flow from Financing			
Issue of Ordinary Share Capital		3078	20230
Share Issue Costs		-	(11716)
Net Cash Inflow from Financing		3078	8514
Decrease in Cash and Cash Equivalents	11	(1561)	124

The notes on pages 7 to 9 form part of these financial statements

Midland Railway Enterprises Plc

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995

1 ACCOUNTING POLICIES

The following are the principal accounting policies adopted by the Company in the preparation of these financial statements.

Accounting Basis

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

Depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life, as follows:-

Land	Not Depreciated
Leasehold Buildings	50 yrs
Portacabin	10 yrs
Computer	4 yrs
Other Equipment	5 yrs

Stocks

Stocks are valued at the lower of cost and net realisable value.

Turnover

Turnover represents the invoiced amount of goods sold net of Value Added Tax.

2 INTEREST PAYABLE & SIMILAR CHARGES

On bank loans, overdrafts and other loans repayable within 5 years

1995 1994

13 15

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

Depreciation	(3005)	2467
Auditors' Remuneration	<u>950</u>	<u>900</u>

4 STAFF COSTS

The average number of persons employed within the company during the year was:

	Full Time	Part Time	Full Time	Part Time
Catering & Sales	2	3	3	4
Engineering & S/C	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>
	<u>4</u>	<u>6</u>	<u>5</u>	<u>7</u>

Aggregate staff costs amount to:-

Wages & Salaries	56996	55326
Social Security Costs	2881	3397
Other Pension Costs	<u>612</u>	<u>492</u>
	<u>60489</u>	<u>59215</u>

Midland Railway Enterprises Plc

NOTES TO THE ACCOUNTS CONTINUED

5 TANGIBLE FIXED ASSETS

	Buildings	Equipment	Line Extension	Total
Cost				
At 1.1.95	43871	5052	8864	57787
Transfer from Holding Company	25439	-	-	25439
At 31.12.95	69310	5052	8864	83226
Depreciation				
At 1.1.95	6021	2783	-	8804
Transfer from Holding Company	4995	-	-	4995
Charge for Year	(3572)	567	-	(3005)
At 31.12.95	7444	3350	-	10794
Net Book Value				
At 31.12.95	61866	1702	8864	72432
At 31.12.94	37850	2269	8864	48983

At 31 December 1995 the Main Museum Building was revalued. A share of this asset is held by the company and the depreciation on this has been written back in the year resulting in a net write back to fixed assets. The Revaluation Reserve is shown in the Holding Company's accounts.

Assets were transferred from the Holding Company at 31 December. Depreciation on these buildings will be charged in the company's own accounts from 1 January 1996.

5A The subsidiary company, Midland Railway Agencies Ltd, has still not yet traded.

6 STOCKS

	1995	1994
Goods for Resale	44374	46037
Raw Materials & Consumables	2500	2500
	<u>46874</u>	<u>48537</u>

7 DEBTORS (All due within one year)

	1995	1994
Trade Debtors	736	550
Other Debtors & Work in Progress	4409	61
Amounts due from Subsidiary	30	30
	<u>5175</u>	<u>641</u>

8 CREDITORS

	1995	1994
Amounts due to Holding Company	59983	36514
Trade Creditors	29689	32008
Other Creditors	841	3108
Accruals	950	900
	<u>91463</u>	<u>72530</u>

Midland Railway Enterprises Plc

NOTES TO THE ACCOUNTS CONTINUED

	1995	1994
9 CALLED UP SHARE CAPITAL		
Ordinary Shares of £1 each		
Authorised	<u>500000</u>	<u>500000</u>
Issued & Fully Paid	116241	113913
Calls in Arrear	<u>375</u>	<u>375</u>
	<u>116616</u>	<u>113538</u>
10 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating Profit	2746	(19329)
Depreciation Charges	(3005)	2467
Decrease in Stock	1663	(6929)
Decrease in Debtors	(4534)	4331
Increase in Creditors	<u>18933</u>	<u>13749</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>15803</u>	<u>(5711)</u>
11 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING YEAR		
Balance at 1 January 1995	(1486)	(1610)
Net Cash Outflow	<u>(1561)</u>	<u>124</u>
	<u>(3047)</u>	<u>(1486)</u>
Represented By:-		
Cash at Bank	222	69
Overdraft	<u>(3269)</u>	<u>(1555)</u>
	<u>(3047)</u>	<u>(1486)</u>
12 ULTIMATE HOLDING COMPANY		

The ultimate holding company is the Midland Railway Trust Limited, a company incorporated in the UK.