

Report of the Directors and
Financial Statements for the Year Ended 31st December 1997
for
Midland Railway Enterprises Plc

Hunter Jones Alton
Chartered Accountants
Registered Auditors
36 Bridge Street
Belper
Derbyshire
DE56 1AX



Midland Railway Enterprises Plc

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for the Year Ended 31st December 1997

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Midland Railway Enterprises Plc
Company Information
for the Year Ended 31st December 1997

DIRECTORS:

A R Johnson
A West
G Arundel
J Brindley
J Twells
P Deane
C Deeth
J Hett

SECRETARY:

A R Johnson

REGISTERED OFFICE:

Butterley Station
RIPLEY
Derbyshire
DE5 3QZ

REGISTERED NUMBER:

2279310 (England and Wales)

AUDITORS:

Hunter Jones Alton
Chartered Accountants
Registered Auditors
36 Bridge Street
Belper
Derbyshire
DE56 1AX

Midland Railway Enterprises Plc
Report of the Directors
for the Year Ended 31st December 1997

The directors present their report with the financial statements of the company for the year ended 31st December 1997.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the sale of railway souvenirs and the provision of catering and engineering services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 1997.

DIRECTORS

The directors during the year under review were:

A R Johnson
A West
G Arundel
J Brindley
J Twells
P Deane
C Deeth
J Hett

- appointed 11.3.1997

The beneficial interests of the directors holding office on 31st December 1997 in the issued share capital of the company were as follows:

	31.12.97	1.1.97 or date of appointment if later
Ordinary shares of £1 1 shares		
A R Johnson	500	500
A West	500	500
G Arundel	-	-
J Brindley	500	500
J Twells	1,000	1,000
P Deane	420	420
C Deeth	1,500	1,500
J Hett	1,000	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 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 financial statements 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 and detection of fraud and other irregularities.

Midland Railway Enterprises Plc
Report of the Directors
for the Year Ended 31st December 1997

AUDITORS

The auditors, Hunter Jones Alton, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

.....
A R Johnson - SECRETARY

Dated: 12th May 1998

Midland Railway Enterprises Plc

Report of the Auditors to the Shareholders of
Midland Railway Enterprises Plc

We have audited the financial statements on pages five to thirteen which have been prepared under the historical cost convention and the accounting policies set out on page ten.

Respective responsibilities of directors and auditors

As described on page two 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 judgments 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 state of the company's affairs as at 31st December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Hunter Jones Alton
Chartered Accountants
Registered Auditors
36 Bridge Street
Belper
Derbyshire
DE56 1AX

Dated: 23 June 1998

Midland Railway Enterprises Plc

Profit and Loss Account
for the Year Ended 31st December 1997

		31.12.97		31.12.96	
	Notes	£	£	£	£
TURNOVER	2		241,390		250,043
Cost of sales			184,260		209,241
GROSS PROFIT			57,130		40,802
Distribution costs		2,915		2,909	
Administrative expenses		58,052		44,695	
			60,967		47,604
OPERATING LOSS	4		(3,837)		(6,802)
Interest receivable and similar income	5		8		12
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(3,829)		(6,790)
Tax on loss on ordinary activities	6		-		-
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION			(3,829)		(6,790)
Deficit brought forward			(93,436)		(86,646)
DEFICIT CARRIED FORWARD			£(97,265)		£(93,436)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current and previous years.

Midland Railway Enterprises Plc

Balance Sheet
31st December 1997

		31.12.97		31.12.96	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		68,327		70,200
Investments	8		2		2
			<u>68,329</u>		<u>70,202</u>
CURRENT ASSETS:					
Stocks	9	45,395		42,687	
Debtors	10	-		30	
Cash at bank		341		158	
		<u>45,736</u>		<u>42,875</u>	
CREDITORS: Amounts falling due within one year	11	92,529		87,812	
NET CURRENT LIABILITIES:			<u>(46,793)</u>		<u>(44,937)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£21,536</u>		<u>£25,265</u>
CAPITAL AND RESERVES:					
Called up share capital	13		118,801		118,701
Profit and loss account			<u>(97,265)</u>		<u>(93,436)</u>
Shareholders' funds	14		<u>£21,536</u>		<u>£25,265</u>

ON BEHALF OF THE BOARD:


..... J. E. H. G. T.
- DIRECTOR

Approved by the Board on 12th May 1998

Midland Railway Enterprises Plc

Cash Flow Statement
for the Year Ended 31st December 1997

		31.12.97	31.12.96
	Notes	£	£
Net cash inflow from operating activities	1	231	903
Returns on investments and servicing of finance	2	8	12
Capital expenditure	2	(800)	-
		<u>(561)</u>	<u>915</u>
Financing	2	100	2,085
(Decrease)/Increase in cash in the period		<u>£(461)</u>	<u>£3,000</u>
Reconciliation of net cash flow to movement in net debt	3		
(Decrease)/Increase in cash in the period		<u>(461)</u>	<u>3,000</u>
Change in net debt resulting from cash flows		<u>(461)</u>	<u>3,000</u>
Movement in net debt in the period		<u>(461)</u>	<u>3,000</u>
Net debt at 1st January 1997		<u>(50)</u>	<u>(3,050)</u>
Net debt at 31st December 1997		<u>£(511)</u>	<u>£(50)</u>

The notes form part of these financial statements

Midland Railway Enterprises Plc

Notes to the Cash Flow Statement
for the Year Ended 31st December 1997

1. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.12.97	31.12.96
	£	£
Operating loss	(3,837)	(6,802)
Depreciation charges	2,673	2,232
Movement in other creditors	(1,551)	1,575
(Increase)/Decrease in stocks	(2,708)	4,187
Decrease in debtors	31	5,145
Increase/(Decrease) in creditors	5,623	(5,434)
Net cash inflow from operating activities	231	903

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.12.97	31.12.96
	£	£
Returns on investments and servicing of finance		
Interest received	8	12
Net cash inflow for returns on investments and servicing of finance	8	12
Capital expenditure		
Purchase of tangible fixed assets	(800)	-
Net cash outflow for capital expenditure	(800)	-
Financing		
Cash receipt re share issue	100	2,085
Net cash inflow from financing	100	2,085

The notes form part of these financial statements

Midland Railway Enterprises Plc

Notes to the Cash Flow Statement
for the Year Ended 31st December 1997

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.97 £	Cash flow £	At 31.12.97 £
Net cash:			
Cash at bank	158	183	341
Bank overdraft	(208)	(644)	(852)
	<u> </u>	<u> </u>	<u> </u>
	(50)	(461)	(511)
	<u> </u>	<u> </u>	<u> </u>
 Total	 (50)	 (461)	 (511)
	<u> </u>	<u> </u>	<u> </u>
Analysed in Balance Sheet			
 Cash at bank	 158		 341
Bank overdraft	(208)		(852)
	<u> </u>		<u> </u>
	(50)		(511)
	<u> </u>		<u> </u>

Midland Railway Enterprises Plc
Notes to the Financial Statements
for the Year Ended 31st December 1997

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold property	- 2% on cost
Plant and machinery	- at varying rates on cost

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

2. TURNOVER

Turnover represents the net amounts, exclusive of Value Added Tax, invoiced and received by the company in respect of sales of souvenirs, the provision of catering services and the provision of engineering services.

3. STAFF COSTS

	31.12.97	31.12.96
	£	£
Wages and salaries	81,728	76,711
	<u> </u>	<u> </u>

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

	31.12.97	31.12.96
Catering & sales	4	4
Engineering	4	4
	<u> </u>	<u> </u>
	8	8
	<u> </u>	<u> </u>

4. OPERATING LOSS

The operating loss is stated after charging:

	31.12.97	31.12.96
	£	£
Depreciation - owned assets	2,673	2,232
Auditors' remuneration	1,800	1,675
	<u> </u>	<u> </u>
Directors' emoluments	17,500	-
	<u> </u>	<u> </u>

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31st December 1997

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.97	31.12.96
	£	£
Deposit account interest	8	12
	==	==

6. TAXATION

No liability to UK Corporation tax arose on ordinary activities for the year ended 31st December 1997 nor for the year ended 31st December 1996.

7. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Plant and machinery	Totals
	£	£	£	£
COST:				
At 1st January 1997	8,864	69,310	5,052	83,226
Additions	-	-	800	800
	-----	-----	-----	-----
At 31st December 1997	8,864	69,310	5,852	84,026
	-----	-----	-----	-----
DEPRECIATION:				
At 1st January 1997	-	9,030	3,996	13,026
Charge for year	-	1,713	960	2,673
	-----	-----	-----	-----
At 31st December 1997	-	10,743	4,956	15,699
	-----	-----	-----	-----
NET BOOK VALUE:				
At 31st December 1997	8,864	58,567	896	68,327
	=====	=====	=====	=====
At 31st December 1996	8,864	60,280	1,056	70,200
	=====	=====	=====	=====

8. FIXED ASSET INVESTMENTS

			£
COST:			
At 1st January 1997			
and 31st December 1997			2
			—
NET BOOK VALUE:			
At 31st December 1997			2
			==
At 31st December 1996			2
			==
		31.12.97	31.12.96
		£	£
Unlisted investments		2	2
		—	—

Midland Railway Enterprises Plc

**Notes to the Financial Statements
for the Year Ended 31st December 1997**

9. STOCKS

	31.12.97	31.12.96
	£	£
Catering stock	5,333	4,331
Shop stock	37,562	35,856
Engineering stock	2,500	2,500
	<u>45,395</u>	<u>42,687</u>

**10. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.97	31.12.96
	£	£
Loan to subsidiary	-	30
	<u>-</u>	<u>30</u>

**11. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.97	31.12.96
	£	£
Bank loans and overdrafts (see note 12)	852	208
Trade creditors	29,099	20,765
Loan from holding company	60,008	61,558
Accruals	1,050	4,397
Payments on account of shares	586	358
Share Purchase Club	934	526
	<u>92,529</u>	<u>87,812</u>

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	31.12.97	31.12.96
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	852	208
	<u>852</u>	<u>208</u>

13. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.12.97	31.12.96
			£	£
500,000	Ordinary shares of £1	1	500,000	500,000
			<u>500,000</u>	<u>500,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.97	31.12.96
			£	£
118,801	Ordinary shares of £1	1	118,801	118,701
			<u>118,801</u>	<u>118,701</u>

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31st December 1997

14. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.97	31.12.96
	£	£
Loss for the financial year	(3,829)	(6,790)
Shares issued in period	100	2,085
NET REDUCTION OF SHAREHOLDERS' FUNDS	(3,729)	(4,705)
Opening shareholders' funds	25,265	29,970
CLOSING SHAREHOLDERS' FUNDS	21,536	25,265
Equity interests	21,536	25,265