

Report of the Directors and
Financial Statements for the Year Ended 31 December 2001
for
Midland Railway Enterprises Plc

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



Midland Railway Enterprises Plc

Contents of the Financial Statements
for the Year Ended 31 December 2001

	Page
Company Information	1
Report of the Directors	2
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Cash Flow Statement	8
Notes to the Financial Statements	9
Trading and Profit and Loss Account	13

Midland Railway Enterprises Plc
Company Information
for the Year Ended 31 December 2001

DIRECTORS:

A West
G Arundel
J Brindley
J Twells
C Deeth
J Hett
R Nipper

SECRETARY:

A West

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 31 December 2001

The directors present their report with the financial statements of the company for the year ended 31 December 2001.

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 31 December 2001.

DIRECTORS

The directors during the year under review were:

A West
G Arundel
J Brindley
J Twells
C Deeth
J Hett
R Nipper

The beneficial interests of the directors holding office on 31 December 2001 in the issued share capital of the company were as follows:

	31.12.01	1.1.01
Ordinary shares £1 shares		
A West	500	500
G Arundel	-	-
J Brindley	500	500
J Twells	1,000	1,000
C Deeth	1,500	1,500
J Hett	1,000	1,000
R Nipper	-	-

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 judgements 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 31 December 2001

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. West

.....
A West - SECRETARY

Dated: 2.1.02

Midland Railway Enterprises Plc

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

We have audited the financial statements of Midland Railway Enterprises Plc for the year ended 31 December 2001 on pages five to twelve. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

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 2001 and of its profit 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

Hunter Jones Alton

Dated: *21/5/02*

Midland Railway Enterprises Plc

Profit and Loss Account
for the Year Ended 31 December 2001

		<u>2001</u>		<u>2000</u>	
	Notes	£	£	£	£
TURNOVER	2		368,346		336,087
Cost of sales			310,393		262,459
GROSS PROFIT			57,953		73,628
Distribution costs		2,874		2,309	
Administrative expenses		50,634		50,390	
			53,508		52,699
OPERATING PROFIT	4		4,445		20,929
Interest receivable and similar income			4		3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			4,449		20,932
Tax on profit on ordinary activities	5		-		-
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			4,449		20,932
Deficit brought forward			(27,606)		(48,538)
DEFICIT CARRIED FORWARD			£(23,157)		£(27,606)

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

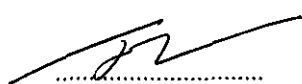
The company has no recognised gains or losses other than the profits for the current and previous years.

Midland Railway Enterprises Plc

**Balance Sheet
31 December 2001**

		2001		2000	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		62,614		65,322
Investments	7		2		2
			<u>62,616</u>		<u>65,324</u>
CURRENT ASSETS:					
Stocks	8	55,324		51,030	
Debtors	9	7,675		-	
Cash at bank		145		990	
		<u>63,144</u>		<u>52,020</u>	
CREDITORS: Amounts falling due within one year	10	<u>28,370</u>		<u>24,564</u>	
NET CURRENT ASSETS:			<u>34,774</u>		<u>27,456</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£97,390</u>		<u>£92,780</u>
CAPITAL AND RESERVES:					
Called up share capital	12		120,547		120,386
Profit and loss account			(23,157)		(27,606)
SHAREHOLDERS' FUNDS:	13		<u>£97,390</u>		<u>£92,780</u>

ON BEHALF OF THE BOARD:


.....
~~C. D. Hett~~ DIRECTOR
J. HETT

Approved by the Board on 21/5/02

The notes form part of these financial statements

Midland Railway Enterprises Plc

**Cash Flow Statement
for the Year Ended 31 December 2001**

		2001	2000
	Notes	£	£
Net cash (outflow)/inflow from operating activities	1	(1,968)	1,250
Returns on investments and servicing of finance	2	4	3
(Decrease)/Increase in cash in the period		<u>£(1,964)</u>	<u>£1,253</u>
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		<u>(1,964)</u>	<u>1,253</u>
Change in net funds resulting from cash flows		<u>(1,964)</u>	<u>1,253</u>
Movement in net funds in the period		<u>(1,964)</u>	<u>1,253</u>
Net funds/(debt) at 1 January		<u>990</u>	<u>(263)</u>
Net (debt)/funds at 31 December		<u>£(974)</u>	<u>£990</u>

The notes form part of these financial statements

Midland Railway Enterprises Plc

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2001**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	4,445	20,929
Depreciation charges	2,708	2,452
Movement in other creditors	(1,118)	(18,521)
Issue of shares	161	490
(Increase)/Decrease in stocks	(4,294)	1,971
Increase in debtors	(7,676)	-
Increase/(Decrease) in creditors	3,806	(6,071)
Net cash (outflow)/inflow from operating activities	(1,968)	1,250

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

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest received	4	3
Net cash inflow for returns on investments and servicing of finance	4	3

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.01 £	Cash flow £	At 31.12.01 £
Net cash:			
Cash at bank	990	(845)	145
Bank overdraft	-	(1,119)	(1,119)
	990	(1,964)	(974)
Total	990	(1,964)	(974)
Analysed in Balance Sheet			
Cash at bank	990		145
Bank overdraft	-		(1,119)
	990		(974)

The notes form part of these financial statements

Midland Railway Enterprises Plc
Notes to the Financial Statements
for the Year Ended 31 December 2001

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 and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

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

	2001 £	2000 £
Wages and salaries	169,679	114,947

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

	2001	2000
Catering & sales	5	5
Engineering	14	10
	—	—
	19	15

Midland Railway Enterprises Plc
Notes to the Financial Statements
for the Year Ended 31 December 2001

4. OPERATING PROFIT

The operating profit is stated after charging:

	2001	2000
	£	£
Depreciation - owned assets	2,708	2,452
Auditors' remuneration	1,000	1,000
	<u> </u>	<u> </u>
Directors' emoluments	25,469	25,122
	<u> </u>	<u> </u>

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2001 nor for the year ended 31 December 2000.

6. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Plant and machinery	Totals
	£	£	£	£
COST:				
At 1 January 2001 and 31 December 2001	8,864	69,310	10,027	88,201
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION:				
At 1 January 2001	-	15,882	6,997	22,879
Charge for year	-	1,713	995	2,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	-	17,595	7,992	25,587
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE:				
At 31 December 2001	8,864	51,715	2,035	62,614
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2000	8,864	53,428	3,030	65,322
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 January 2001 and 31 December 2001	2
	<u> </u>
NET BOOK VALUE:	
At 31 December 2001	2
	<u> </u>
At 31 December 2000	2
	<u> </u>

Midland Railway Enterprises Plc
Notes to the Financial Statements
for the Year Ended 31 December 2001

7. FIXED ASSET INVESTMENTS - continued

	2001	2000
	£	£
Unlisted investments	2	2
	<u>2</u>	<u>2</u>

8. STOCKS

	2001	2000
	£	£
Catering stock	2,742	3,230
Shop stock	33,328	32,632
Engineering stock	16,254	15,168
Work in progress	3,000	-
	<u>55,324</u>	<u>51,030</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	2000
	£	£
Loan to holding company	7,675	-
	<u>7,675</u>	<u>-</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	2000
	£	£
Bank loans and overdrafts (see note 11)	1,119	-
Trade creditors	26,201	22,395
Loan from holding company	-	1,119
Accruals	1,050	1,050
	<u>28,370</u>	<u>24,564</u>

11. LOANS AND OVERDRAFTS

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

	2001	2000
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	1,119	-
	<u>1,119</u>	<u>-</u>

Midland Railway Enterprises Plc
Notes to the Financial Statements
for the Year Ended 31 December 2001

12. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2001	2000
		£1	£	£
500,000	Ordinary shares		500,000	500,000
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2001	2000
		£1	£	£
120,386	Ordinary shares		120,547	120,386

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Profit for the financial year	4,449	20,932
Shares issued in period	161	490
Shares cancelled in period		
Net addition to shareholders' funds	4,610	21,422
Opening shareholders' funds	92,780	71,358
Closing shareholders' funds	97,390	92,780
Equity interests	97,390	92,780

Midland Railway Enterprises Plc
Trading and Profit and Loss Account
for the Year Ended 31 December 2001

	2001		2000	
	£	£	£	£
Income:				
Catering sales	86,183		82,663	
Shop sales	72,303		79,696	
Engineering & subcontract	209,860	368,346	173,728	336,087
Cost of sales:				
Catering purchases	53,419		56,013	
Steaming charges	4,500		4,500	
Other catering expenses	1,141		664	
Shop purchases	47,060		48,268	
Engineering purchases	60,063		63,189	
Wages	144,210	310,393	89,825	262,459
		57,953		73,628
		4		3
				73,631
GROSS PROFIT		57,957		
Other income:				
Deposit account interest				
Expenditure:				
Directors' remuneration	25,469		25,122	
Transport recharged by Trust	2,874		2,309	
Postage & telephone from Trust	2,963		3,478	
Printing & stationery - Trust	4,209		3,592	
Publicity recharged by Trust	4,206		4,795	
Insurance recharged by Trust	4,284		4,083	
Cleaning recharged by Trust	1,100		900	
Sundry expenses	727		160	
Auditors remuneration	1,000		1,000	
Heat, light & power from Trust	3,968	50,800	4,808	50,247
		7,157		23,384
	1,713		1,713	
	995		739	
		2,708		2,452
Depreciation:				
Leasehold property				
Plant & machinery		£4,449		£20,932

NET PROFIT