

Report of the Directors and
Financial Statements for the Year Ended 31 December 2002
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 31 December 2002

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Midland Railway Enterprises Plc
Company Information
for the Year Ended 31 December 2002

DIRECTORS:

A West
G Arundel
J Brindley
J Twells
C Deeth
J Hett
M Gallimore
P Binks

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 2002

The directors present their report with the financial statements of the company for the year ended 31 December 2002.

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 2002.

DIRECTORS

The directors during the year under review were:

A West	
G Arundel	
J Brindley	
J Twells	
C Deeth	
J Hett	
R Nipper	- resigned 1.1.2002
M Gallimore	- appointed 1.1.2002
P Binks	- appointed 1.1.2002

The beneficial interests of the directors holding office on 31 December 2002 in the issued share capital of the company were as follows:

	31.12.02	1.1.02 or date of appointment if later
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
M Gallimore	50	-
P Binks	300	300

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.

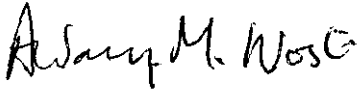
Midland Railway Enterprises Plc

Report of the Directors
for the Year Ended 31 December 2002

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 - SECRETARY

Dated: 10/1/03.

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 2002 on pages five to twelve. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members 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 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 2002 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

Hunter Jones Alton

Dated: *11 July 2003*

Midland Railway Enterprises Plc

Profit and Loss Account
for the Year Ended 31 December 2002

		<u>2002</u>		<u>2001</u>	
	Notes	£	£	£	£
TURNOVER	2		326,270		368,346
Cost of sales			<u>273,621</u>		<u>310,393</u>
GROSS PROFIT			52,649		57,953
Distribution costs		2,942		2,874	
Administrative expenses		<u>51,767</u>		<u>50,634</u>	
			54,709		<u>53,508</u>
OPERATING (LOSS)/PROFIT	4		(2,060)		4,445
Interest receivable and similar income			<u>39</u>		<u>4</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(2,021)		4,449
Tax on (loss)/profit on ordinary activities	5		<u>-</u>		<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			(2,021)		4,449
Deficit brought forward			<u>(23,157)</u>		<u>(27,606)</u>
DEFICIT CARRIED FORWARD			<u>£(25,178)</u>		<u>£(23,157)</u>

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 loss for the current year and the profit for the previous year.

Midland Railway Enterprises Plc

Balance Sheet
31 December 2002

		2002		2001	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		60,066		62,614
Investments	7		2		2
			<u>60,068</u>		<u>62,616</u>
CURRENT ASSETS:					
Stocks	8	58,623		55,324	
Debtors	9	-		7,675	
Cash at bank		98		145	
		<u>58,721</u>		<u>63,144</u>	
CREDITORS: Amounts falling due within one year	10	21,856		28,370	
NET CURRENT ASSETS:			<u>36,865</u>		<u>34,774</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£96,933</u>		<u>£97,390</u>
CAPITAL AND RESERVES:					
Called up share capital	12		122,111		120,547
Profit and loss account			(25,178)		(23,157)
SHAREHOLDERS' FUNDS:	13		<u>£96,933</u>		<u>£97,390</u>

ON BEHALF OF THE BOARD:



C Deeth - DIRECTOR

Approved by the Board on10.1.03.....2003

Midland Railway Enterprises Plc
Cash Flow Statement
for the Year Ended 31 December 2002

		2002	2001
	Notes	£	£
Net cash inflow/(outflow) from operating activities	1	437	(1,968)
Returns on investments and servicing of finance	2	39	4
Increase/(Decrease) in cash in the period		<u>£476</u>	<u>£(1,964)</u>

Reconciliation of net cash flow to movement in net debt	3		
Increase/(Decrease) in cash in the period		<u>476</u>	<u>(1,964)</u>
Change in net debt resulting from cash flows		<u>476</u>	<u>(1,964)</u>
Movement in net debt in the period		476	(1,964)
Net (debt)/funds at 1 January		<u>(974)</u>	<u>990</u>
Net debt at 31 December		<u>£(498)</u>	<u>£(974)</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 2002

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

	2002 £	2001 £
Operating (loss)/profit	(2,060)	4,445
Depreciation charges	2,548	2,708
Subsidiary loan	1,589	(1,118)
Issue of shares	1,564	161
Increase in stocks	(3,299)	(4,294)
Decrease/(Increase) in debtors	7,675	(7,676)
(Decrease)/Increase in creditors	(7,580)	3,806
Net cash inflow/(outflow) from operating activities	<u>437</u>	<u>(1,968)</u>

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

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	39	4
Net cash inflow for returns on investments and servicing of finance	<u>39</u>	<u>4</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.02 £	Cash flow £	At 31.12.02 £
Net cash:			
Cash at bank	145	(47)	98
Bank overdraft	(1,119)	523	(596)
	<u>(974)</u>	<u>476</u>	<u>(498)</u>
Total	<u>(974)</u>	<u>476</u>	<u>(498)</u>
Analysed in Balance Sheet			
Cash at bank	145		98
Bank overdraft	(1,119)		(596)
	<u>(974)</u>		<u>(498)</u>

The notes form part of these financial statements

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31 December 2002

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 tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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

	2002 £	2001 £
Wages and salaries	<u>154,390</u>	<u>169,679</u>

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

	2002	2001
Catering & sales	5	5
Engineering	<u>14</u>	<u>14</u>
	19	19

4. OPERATING (LOSS)/PROFIT

The operating loss (2001 - operating profit) is stated after charging:

	2002 £	2001 £
Depreciation - owned assets	2,548	2,708
Auditors' remuneration	<u>1,000</u>	<u>1,000</u>
Directors' emoluments	<u>23,020</u>	<u>25,469</u>

Midland Railway Enterprises Plc

**Notes to the Financial Statements
for the Year Ended 31 December 2002**

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2002 nor for the year ended 31 December 2001.

6. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Plant and machinery	Totals
	£	£	£	£
COST:				
At 1 January 2002 and 31 December 2002	8,864	69,310	10,027	88,201
DEPRECIATION:				
At 1 January 2002	-	17,595	7,992	25,587
Charge for year	-	1,713	835	2,548
At 31 December 2002	-	19,308	8,827	28,135
NET BOOK VALUE:				
At 31 December 2002	8,864	50,002	1,200	60,066
At 31 December 2001	8,864	51,715	2,035	62,614

7. FIXED ASSET INVESTMENTS

	£	
COST:		
At 1 January 2002 and 31 December 2002		2
NET BOOK VALUE:		
At 31 December 2002		2
At 31 December 2001		2
	2002	2001
	£	£
Unlisted investments	2	2

8. STOCKS

	2002	2001
	£	£
Catering stock	2,850	2,742
Shop stock	33,323	33,328
Engineering stock	15,250	16,254
Work in progress	7,200	3,000
	58,623	55,324

Midland Railway Enterprises Plc
Notes to the Financial Statements
for the Year Ended 31 December 2002

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

	2002 £	2001 £
Loan to holding company	-	7,675
	<u> </u>	<u> </u>

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

	2002 £	2001 £
Bank loans and overdrafts (see note 11)	596	1,119
Trade creditors	18,621	26,201
Loan from holding company	1,589	-
Accruals	1,050	1,050
	<u>21,856</u>	<u>28,370</u>

11. LOANS AND OVERDRAFTS

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

	2002 £	2001 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>596</u>	<u>1,119</u>

12. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2002 £	2001 £
500,000	Ordinary shares	£1	<u>500,000</u>	<u>500,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2002 £	2001 £
122,111	Ordinary shares	£1	122,111	120,547
(2001 - 120,547)			<u> </u>	<u> </u>

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31 December 2002

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
(Loss)/Profit for the financial year	(2,021)	4,449
Shares issued in period	1,564	161
Shares cancelled in period		
Net (reduction)/addition to shareholders' funds	(457)	4,610
Opening shareholders' funds	97,390	92,780
Closing shareholders' funds	96,933	97,390
Equity interests	96,933	97,390