

Report of the Directors and
Financial Statements for the Year Ended 31 December 2003
for
Midland Railway Enterprises Plc

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



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Midland Railway Enterprises Plc

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for the Year Ended 31 December 2003

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Midland Railway Enterprises Plc
Company Information
for the Year Ended 31 December 2003

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 2003

The directors present their report with the financial statements of the company for the year ended 31 December 2003.

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 2003.

DIRECTORS

The directors during the year under review were:

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

The beneficial interests of the directors holding office on 31 December 2003 in the issued share capital of the company were as follows:

	31.12.03	1.1.03
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	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 2003

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:

Alwyn M. West

.....
A West - Secretary

Date: *28.7.04.*
.....

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 2003 on pages five to thirteen. 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 2003 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



Date: 28.7.04

Midland Railway Enterprises Plc

Profit and Loss Account
for the Year Ended 31 December 2003

		2003		2002	
	Notes	£	£	£	£
TURNOVER	2		329,677		326,270
Cost of sales			280,219		273,621
GROSS PROFIT			49,458		52,649
Distribution costs		1,648		2,942	
Administrative expenses		53,658		51,767	
			55,306		54,709
OPERATING LOSS	4		(5,848)		(2,060)
Interest receivable and similar income			1		39
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(5,847)		(2,021)
Tax on loss on ordinary activities	5		-		-
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION			(5,847)		(2,021)
Deficit brought forward			(25,178)		(23,157)
DEFICIT CARRIED FORWARD			£(31,025)		£(25,178)

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.

The notes form part of these financial statements

Midland Railway Enterprises Plc

Balance Sheet
31 December 2003

		2003		2002	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		57,873		60,066
Investments	7		2		2
			<u>57,875</u>		<u>60,068</u>
CURRENT ASSETS:					
Stocks	8	56,569		58,623	
Debtors	9	26,982		-	
Cash at bank		779		98	
		<u>84,330</u>		<u>58,721</u>	
CREDITORS: Amounts falling due within one year	10	<u>50,576</u>		<u>21,856</u>	
NET CURRENT ASSETS:			<u>33,754</u>		<u>36,865</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£91,629</u>		<u>£96,933</u>
CAPITAL AND RESERVES:					
Called up share capital	12		122,654		122,111
Profit and loss account			(31,025)		(25,178)
SHAREHOLDERS' FUNDS:	13		<u>£91,629</u>		<u>£96,933</u>

ON BEHALF OF THE BOARD:



~~C. Deeth~~ - Director

J.E. HETT

Approved by the Board on 15th June 2004

The notes form part of these financial statements

Midland Railway Enterprises Plc

Cash Flow Statement
for the Year Ended 31 December 2003

		2003	2002
	Notes	£	£
Net cash inflow/(outflow) from operating activities	1	733	(1,127)
Returns on investments and servicing of finance	2	1	39
		<u>734</u>	<u>(1,088)</u>
Financing	2	543	1,564
Increase in cash in the period		<u><u>£1,277</u></u>	<u><u>£476</u></u>
Reconciliation of net cash flow to movement in net debt	3		
Increase in cash in the period		<u>1,277</u>	<u>476</u>
Change in net debt resulting from cash flows		<u>1,277</u>	<u>476</u>
Movement in net debt in the period		<u>1,277</u>	<u>476</u>
Net debt at 1 January		<u>(498)</u>	<u>(974)</u>
Net funds/(debt) at 31 December		<u><u>£779</u></u>	<u><u>£(498)</u></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 2003

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

	2003 £	2002 £
Operating loss	(5,848)	(2,060)
Depreciation charges	2,193	2,548
Subsidiary loan	14,732	1,589
Decrease/(Increase) in stocks	2,054	(3,299)
(Increase)/Decrease in debtors	(26,982)	7,675
Increase/(Decrease) in creditors	14,584	(7,580)
Net cash inflow/(outflow) from operating activities	733	(1,127)

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

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	1	39
Net cash inflow for returns on investments and servicing of finance	1	39
Financing		
Cash receipt re share issue	543	1,564
Net cash inflow from financing	543	1,564

Midland Railway Enterprises Plc

Notes to the Cash Flow Statement
for the Year Ended 31 December 2003

3. **ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.03 £	Cash flow £	At 31.12.03 £
Net cash:			
Cash at bank	98	681	779
Bank overdraft	(596)	596	-
	<u>(498)</u>	<u>1,277</u>	<u>779</u>
Total	<u>(498)</u>	<u>1,277</u>	<u>779</u>
Analysed in Balance Sheet			
Cash at bank	98		779
Bank overdraft	(596)		-
	<u>(498)</u>		<u>779</u>

The notes form part of these financial statements

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31 December 2003

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

	2003 £	2002 £
Wages and salaries	<u>167,741</u>	<u>154,390</u>

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

	2003	2002
Catering & sales	5	5
Engineering	<u>15</u>	<u>14</u>
	<u>20</u>	<u>19</u>

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31 December 2003

4. OPERATING LOSS

The operating loss is stated after charging:

	2003	2002
	£	£
Depreciation - owned assets	2,193	2,548
Auditors' remuneration	1,000	1,000
	<u>22,650</u>	<u>23,020</u>
Directors' emoluments	<u>22,650</u>	<u>23,020</u>

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2003 nor for the year ended 31 December 2002.

6. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Plant and machinery	Totals
	£	£	£	£
COST:				
At 1 January 2003				
and 31 December 2003	8,864	69,310	10,027	88,201
	<u>8,864</u>	<u>69,310</u>	<u>10,027</u>	<u>88,201</u>
DEPRECIATION:				
At 1 January 2003	-	19,308	8,827	28,135
Charge for year	-	1,713	480	2,193
	<u>-</u>	<u>1,713</u>	<u>480</u>	<u>2,193</u>
At 31 December 2003	-	21,021	9,307	30,328
	<u>-</u>	<u>21,021</u>	<u>9,307</u>	<u>30,328</u>
NET BOOK VALUE:				
At 31 December 2003	8,864	48,289	720	57,873
	<u>8,864</u>	<u>48,289</u>	<u>720</u>	<u>57,873</u>
At 31 December 2002	8,864	50,002	1,200	60,066
	<u>8,864</u>	<u>50,002</u>	<u>1,200</u>	<u>60,066</u>

7. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 January 2003	
and 31 December 2003	2
	<u>2</u>
NET BOOK VALUE:	
At 31 December 2003	2
	<u>2</u>
At 31 December 2002	2
	<u>2</u>

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31 December 2003

7. FIXED ASSET INVESTMENTS - continued

	2003	2002
	£	£
Unlisted investments	2	2
	<u> </u>	<u> </u>

8. STOCKS

	2003	2002
	£	£
Catering stock	2,407	2,850
Shop stock	35,412	33,323
Engineering stock	15,250	15,250
Work in progress	3,500	7,200
	<u>56,569</u>	<u>58,623</u>
	<u> </u>	<u> </u>

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

	2003	2002
	£	£
Trade debtors	26,982	-
	<u> </u>	<u> </u>

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

	2003	2002
	£	£
Bank loans and overdrafts (see note 11)	-	596
Trade creditors	28,383	18,621
Related company loan	16,321	1,589
Accruals	1,050	1,050
V.A.T.	4,822	-
	<u>50,576</u>	<u>21,856</u>
	<u> </u>	<u> </u>

11. LOANS AND OVERDRAFTS

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

	2003	2002
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	-	596
	<u> </u>	<u> </u>

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31 December 2003

12. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2003	2002
			£	£
500,000	Ordinary shares	£1	<u>500,000</u>	<u>500,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2003	2002
			£	£
122,111	Ordinary shares	£1	<u>122,654</u>	<u>122,111</u>

Midland Railway Enterprises Plc is a subsidiary of Midland Railway Trust Limited. In the company's Memorandum & Articles of Association it is stated that Midland Railway Trust Limited shall have 20 votes for each share it holds in the subsidiary and that Midland Railway Trust Limited is entitled to all of the profits of the subsidiary company.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Loss for the financial year	(5,847)	(2,021)
Shares issued in period	543	1,564
Shares cancelled in period		
	<u> </u>	<u> </u>
Net reduction of shareholders' funds	(5,304)	(457)
Opening shareholders' funds	96,933	97,390
	<u> </u>	<u> </u>
Closing shareholders' funds	91,629	96,933
	<u> </u>	<u> </u>
Equity interests	<u>91,629</u>	<u>96,933</u>

Midland Railway Enterprises Plc

Trading and Profit and Loss Account
for the Year Ended 31 December 2003

	2003		2002	
	£	£	£	£
Income:				
Catering sales	84,025		80,293	
Shop sales	74,424		68,884	
Engineering & subcontract	171,228		177,093	
		329,677		326,270
Cost of sales:				
Catering purchases	62,651		51,570	
Steaming charges	4,500		4,500	
Other catering expenses	1,255		1,181	
Shop purchases	44,901		34,765	
Engineering purchases	21,821		50,235	
Wages	145,091		131,370	
		280,219		273,621
GROSS PROFIT		49,458		52,649
Other income:				
Deposit account interest		1		39
		49,459		52,688
Expenditure:				
Directors' remuneration	22,650		23,020	
Transport recharged by Trust	1,648		2,942	
Postage & telephone from Trust	3,279		3,075	
Printing & stationery - Trust	5,098		4,038	
Publicity recharged by Trust	5,726		5,943	
Insurance recharged by Trust	6,884		5,503	
Cleaning recharged by Trust	1,400		1,300	
Sundry expenses	50		16	
Auditors remuneration	1,000		1,000	
Heat, light & power from Trust	5,378		5,324	
		53,113		52,161
		(3,654)		527
Depreciation:				
Leasehold property	1,713		1,713	
Plant & machinery	480		835	
		2,193		2,548
NET LOSS		£(5,847)		£(2,021)

This page does not form part of the statutory financial statements