

Report of the Directors and
Financial Statements
for the Year Ended 31 December 2004
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 2004

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Midland Railway Enterprises Plc
Company Information
for the Year Ended 31 December 2004

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 2004

The directors present their report with the financial statements of the company for the year ended 31 December 2004.

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 2004.

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 2004 in the issued share capital of the company were as follows:

	31.12.04	1.1.04
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 2004

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

Date: 25.7.05

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 2004 on pages five to eleven. 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 2004 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



Date: 29.7.05

Midland Railway Enterprises Plc

Profit and Loss Account
for the Year Ended 31 December 2004

		2004		2003	
	Notes	£	£	£	£
TURNOVER	2		386,940		329,677
Cost of sales			313,016		280,219
GROSS PROFIT			73,924		49,458
Distribution costs		2,802		1,648	
Administrative expenses		53,222		53,658	
			56,024		55,306
OPERATING PROFIT/(LOSS)	4		17,900		(5,848)
Interest receivable and similar income			1		1
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			17,901		(5,847)
Tax on profit/(loss) on ordinary activities	5		-		-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			17,901		(5,847)
Deficit brought forward			(31,025)		(25,178)
DEFICIT CARRIED FORWARD			£(13,124)		£(31,025)

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

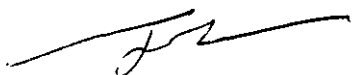
The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

Midland Railway Enterprises Plc

Balance Sheet
31 December 2004

		2004		2003	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		55,872		57,873
Investments	7		2		2
			<u>55,874</u>		<u>57,875</u>
CURRENT ASSETS:					
Stocks	8	59,567		56,569	
Debtors	9	38,787		26,982	
Cash at bank		1,460		779	
		<u>99,814</u>		<u>84,330</u>	
CREDITORS: Amounts falling due within one year	10	46,158		50,576	
NET CURRENT ASSETS:			<u>53,656</u>		<u>33,754</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£109,530</u>		<u>£91,629</u>
CAPITAL AND RESERVES:					
Called up share capital	11		122,654		122,654
Profit and loss account			(13,124)		(31,025)
SHAREHOLDERS' FUNDS:	12		<u>£109,530</u>		<u>£91,629</u>

ON BEHALF OF THE BOARD:



~~C. Deeth~~ - Director

J. HEATH

Approved by the Board on 25th July 2005

Midland Railway Enterprises Plc

Cash Flow Statement
for the Year Ended 31 December 2004

		<u>2004</u>	<u>2003</u>
	Notes	£	£
Net cash inflow from operating activities	1	680	733
Returns on investments and servicing of finance	2	<u>1</u>	<u>1</u>
		681	734
Financing	2	<u>-</u>	<u>543</u>
Increase in cash in the period		<u><u>£681</u></u>	<u><u>£1,277</u></u>
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>681</u>	<u>1,277</u>
Change in net funds resulting from cash flows		<u>681</u>	<u>1,277</u>
Movement in net funds in the period		<u>681</u>	<u>1,277</u>
Net funds/(debt) at 1 January		<u>779</u>	<u>(498)</u>
Net funds at 31 December		<u><u>£1,460</u></u>	<u><u>£779</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 2004**

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

	2004 £	2003 £
Operating profit/(loss)	17,900	(5,848)
Depreciation charges	2,001	2,193
Subsidiary loan	10,621	14,732
(Increase)/Decrease in stocks	(2,998)	2,054
Increase in debtors	(11,805)	(26,982)
(Decrease)/Increase in creditors	(15,039)	14,584
Net cash inflow from operating activities	680	733

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

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	1	1
Net cash inflow for returns on investments and servicing of finance	1	1
Financing		
Cash receipt re share issue	-	543
Net cash inflow from financing	-	543

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.04 £	Cash flow £	At 31.12.04 £
Net cash:			
Cash at bank	779	681	1,460
	779	681	1,460
Total	779	681	1,460
Analysed in Balance Sheet			
Cash at bank	779		1,460
	779		1,460

Midland Railway Enterprises Plc
Notes to the Financial Statements
for the Year Ended 31 December 2004

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

	2004	2003
	£	£
Wages and salaries	214,614	167,741

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

	2004	2003
Catering & sales	5	5
Engineering	17	15
	—	—
	22	20

4. OPERATING PROFIT/(LOSS)

The operating profit (2003 - operating loss) is stated after charging:

	2004	2003
	£	£
Depreciation - owned assets	2,001	2,193
Auditors' remuneration	1,000	1,000
	—	—
Directors' emoluments	23,679	22,650

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31 December 2004

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2004 nor for the year ended 31 December 2003.

6. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Plant and machinery	Totals
	£	£	£	£
COST:				
At 1 January 2004				
and 31 December 2004	8,864	69,310	10,027	88,201
DEPRECIATION:				
At 1 January 2004	-	21,021	9,307	30,328
Charge for year	-	1,713	288	2,001
At 31 December 2004	-	22,734	9,595	32,329
NET BOOK VALUE:				
At 31 December 2004	8,864	46,576	432	55,872
At 31 December 2003	8,864	48,289	720	57,873

7. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 January 2004	
and 31 December 2004	2
NET BOOK VALUE:	
At 31 December 2004	2
At 31 December 2003	2
	2004
	£
Unlisted investments	2
	2003
	£
	2

8. STOCKS

	2004	2003
	£	£
Catering stock	3,479	2,407
Shop stock	33,356	35,412
Engineering stock	19,016	15,250
Work in progress	3,716	3,500
	59,567	56,569

Midland Railway Enterprises Plc

Notes to the Financial Statements
for the Year Ended 31 December 2004

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

	2004 £	2003 £
Trade debtors	38,787	26,982

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

	2004 £	2003 £
Trade creditors	15,136	28,383
Related company loan	26,942	16,321
Accruals	1,050	1,050
V.A.T.	3,030	4,822
	<u>46,158</u>	<u>50,576</u>

11. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2004 £	2003 £
500,000	Ordinary shares	£1	500,000	500,000
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2004 £	2003 £
122,111	Ordinary shares	£1	122,654	122,654

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.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit/(Loss) for the financial year	17,901	(5,847)
Shares issued in period	-	543
Shares cancelled in period		
Net addition/(reduction) to shareholders' funds	<u>17,901</u>	<u>(5,304)</u>
Opening shareholders' funds	91,629	96,933
Closing shareholders' funds	<u>109,530</u>	<u>91,629</u>
Equity interests	<u>109,530</u>	<u>91,629</u>

Midland Railway Enterprises Plc

Trading and Profit and Loss Account
for the Year Ended 31 December 2004

	2004		2003	
	£	£	£	£
Income:				
Catering sales	82,222		84,025	
Shop sales	82,378		74,424	
Engineering & subcontract	222,340		171,228	
		386,940		329,677
Cost of sales:				
Catering purchases	52,318		62,651	
Steaming charges	4,500		4,500	
Other catering expenses	1,773		1,255	
Shop purchases	41,260		44,901	
Engineering purchases	22,230		21,821	
Wages	190,935		145,091	
		313,016		280,219
GROSS PROFIT		73,924		49,458
Other income:				
Deposit account interest		1		1
		73,925		49,459
Expenditure:				
Directors' remuneration	23,679		22,650	
Transport recharged by Trust	2,802		1,648	
Postage & telephone from Trust	3,504		3,279	
Printing & stationery - Trust	3,938		5,098	
Publicity recharged by Trust	3,417		5,726	
Insurance recharged by Trust	8,817		6,884	
Cleaning recharged by Trust	1,450		1,400	
Sundry expenses	161		50	
Auditors remuneration	1,000		1,000	
Heat, light & power from Trust	5,255		5,378	
		54,023		53,113
		19,902		(3,654)
Depreciation:				
Leasehold property	1,713		1,713	
Plant & machinery	288		480	
		2,001		2,193
NET PROFIT/(LOSS)		£17,901		£(5,847)