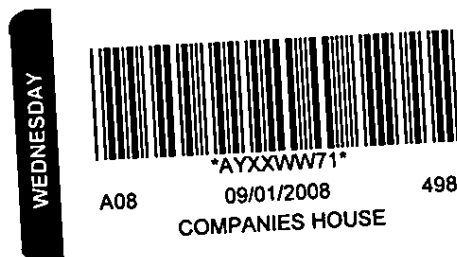


COMPANY REGISTRATION NUMBER 2279310

AMENDED VERSION
MIDLAND RAILWAY ENTERPRISES PLC
FINANCIAL STATEMENTS
31 DECEMBER 2006



PARKINSON MATTHEWS LLP
Chartered Accountants & Registered Auditors
Cedar House
35 Ashbourne Road
Derby

MIDLAND RAILWAY ENTERPRISES PLC

OFFICERS AND PROFESSIONAL ADVISERS

The directors

A M West (Chairman)
J E Hett
P R Binks
J Brindley
C P Deeth
M E Gallimore
R A L Nipper
M Satchwell
J Twells (died 17/4/06)

Company secretary

A West

Registered office

Butterley Station
Ripley
Derbyshire
DE5 3QZ

Auditor

Parkinson Matthews LLP
Chartered Accountants
& Registered Auditors
Cedar House
35 Ashbourne Road
Derby

Bankers

Yorkshire Bank
30 Oxford Street
Ripley
Derbyshire
DE5 3AJ

MIDLAND RAILWAY ENTERPRISES PLC

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2006

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the sale of railway souvenirs and the provision of catering and engineering services

The directors are satisfied with the result for the year, which has seen sales increase by £113,000

The company is dependent upon the support of Midland Railway Trust Limited, a related party. Midland Railway Trust have guaranteed their support for the foreseeable future

RESULTS AND DIVIDENDS

The profit for the year amounted to £3,878. The directors have not recommended a dividend

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The directors regularly assess the risks that face the company as a result of political, social and economic change and have introduced policies and procedures to mitigate those risks

DIRECTORS

The directors who served the company during the year were as follows

A M West
J E Hett
P R Binks
J Brindley
C P Deeth
M E Gallimore
R A L Nipper
M Satchwell
J Twells

R A L Nipper was appointed a director on 1 January 2006

J Twells passed away on 17 April 2006

SUBSTANTIAL SHARE HOLDINGS

The directors are aware of the following shareholdings in excess of 3 % of the issued share capital of the company

	No. of shares
Midland Railway Trust Limited	11,962
Amber Valley Borough Council	11,000

POLICY ON THE PAYMENT OF CREDITORS

The company endeavours to pay its creditors within 60 days from the date of the invoice

The average payment period this year was 60 days (2005 54 days)

MIDLAND RAILWAY ENTERPRISES PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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 that disclose with reasonable accuracy at any time the financial position of the company and 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

A resolution to re-appoint Parkinson Matthews LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office
Butterley Station
Ripley
Derbyshire
DE5 3QZ

Signed by order of the
directors



J E HETT
Director

Approved by the directors on

18/9/07

MIDLAND RAILWAY ENTERPRISES PLC
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
MIDLAND RAILWAY ENTERPRISES PLC
YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of Midland Railway Enterprises Plc for the year ended 31 December 2006 on pages 6 to 14, which have been prepared on the basis of the accounting policies set out on page 9

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 members of the committees' remuneration and other transactions is not disclosed.

We read the Directors' Report 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 International Standards on Auditing (UK and Ireland) 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.

MIDLAND RAILWAY ENTERPRISES PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDLAND RAILWAY ENTERPRISES PLC *(continued)*

YEAR ENDED 31 DECEMBER 2006

OPINION

In our opinion

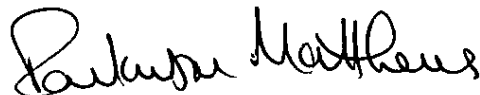
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Statement in pursuance of Section 3D of the Articles of Association

To the best of our knowledge and belief

- all profits of the Company available for distribution have been distributed to Midland Railway Trust Limited
- no employee of the Company has been a director of Midland Railway Trust Limited
- no member of the Boards of Midland Railway Trust Ltd and Midland Railway Enterprises PLC, and full-time management team have entered into, or been concerned or interested directly or indirectly in, any contract with the Company, other than allowed under Section 3C of the Company's Articles of Association

Cedar House
35 Ashbourne Road
Derby



PARKINSON MATTHEWS LLP
Chartered Accountants
& Registered Auditors

MIDLAND RAILWAY ENTERPRISES PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
TURNOVER	2	390,489	277,193
Cost of sales		(254,355)	(251,658)
GROSS PROFIT		136,134	25,535
Administrative expenses		(131,748)	(38,044)
OPERATING PROFIT/(LOSS)	3	4,386	(12,509)
Interest receivable		1	1
Interest payable and similar charges	5	(509)	—
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		3,878	(12,508)
Tax on profit/(loss) on ordinary activities		—	—
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		3,878	(12,508)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 9 to 14 form part of these financial statements

MIDLAND RAILWAY ENTERPRISES PLC

BALANCE SHEET

31 DECEMBER 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	6	52,497	54,405
Investments	7	2	2
		<u>52,499</u>	<u>54,407</u>
CURRENT ASSETS			
Stocks	8	52,973	55,169
Debtors	9	43,281	28,048
Cash at bank		101	126
		<u>96,355</u>	<u>83,343</u>
CREDITORS: Amounts falling due within one year	10	<u>47,762</u>	<u>40,632</u>
NET CURRENT ASSETS		<u>48,593</u>	<u>42,711</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>101,092</u>	<u>97,118</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	122,846	122,750
Profit and loss account	13	(21,754)	(25,632)
SHAREHOLDERS' FUNDS	14	<u>101,092</u>	<u>97,118</u>

These financial statements were approved by the members of the committee and authorised for issue on 18/1/07, and are signed on their behalf by



J E Hett
Director

The notes on pages 9 to 14 form part of these financial statements

MIDLAND RAILWAY ENTERPRISES PLC

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	£	2005 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15		(678)	(7,112)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	15		(508)	1
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	15		—	(499)
CASH OUTFLOW BEFORE FINANCING			(1,186)	(7,610)
FINANCING	15		96	96
DECREASE IN CASH	15		<u>(1,090)</u>	<u>(7,514)</u>

The notes on pages 9 to 14 form part of these financial statements

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

The company is reliant upon the support of Midland Railway Trust Limited, a related party and the majority shareholder

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Property	- 2.5% straight line
Plant & Machinery	- 25% reducing balance

Stocks

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

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2006	2005
	£	£
United Kingdom	<u>390,489</u>	<u>277,193</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

	2006 £	2005 £
Member of the committees' emoluments	—	—
Depreciation of owned fixed assets	1,908	1,966
Auditor's remuneration - as auditor	<u>1,000</u>	<u>1,000</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2006 No	2005 No
Number of management staff	1	1
Number of catering and sales staff	5	5
Number of engineering staff	5	5
	<u>11</u>	<u>11</u>

The aggregate payroll costs of the above were

	2006 £	2005 £
Wages and salaries	123,313	122,435
Social security costs	9,034	9,209
	<u>132,347</u>	<u>131,644</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Interest payable on bank borrowing	<u>509</u>	<u>—</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

6. TANGIBLE FIXED ASSETS

	Freehold & Leasehold Property £	Plant & Machinery £	Total £
COST			
At 1 January 2006 and 31 December 2006	<u>78,174</u>	<u>10,526</u>	<u>88,700</u>
DEPRECIATION			
At 1 January 2006	24,467	9,828	34,295
Charge for the year	<u>1,733</u>	<u>175</u>	<u>1,908</u>
At 31 December 2006	<u>26,200</u>	<u>10,003</u>	<u>36,203</u>
NET BOOK VALUE			
At 31 December 2006	<u>51,974</u>	<u>523</u>	<u>52,497</u>
At 31 December 2005	<u>53,707</u>	<u>698</u>	<u>54,405</u>

The net book value of Freehold and Leasehold Property comprises £8,864 relating to freehold land which is not depreciated, and £43,110 related to long leasehold property

7. INVESTMENTS

	Other UK Unlisted Investments £
COST	
At 1 January 2006 and 31 December 2006	<u>2</u>
NET BOOK VALUE	
At 31 December 2006	<u>2</u>
At 31 December 2005	<u>2</u>

Investments are stated at cost

8. STOCKS

	2006 £	2005 £
Stock	50,973	51,669
Work in progress	<u>2,000</u>	<u>3,500</u>
	<u>52,973</u>	<u>55,169</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

9. DEBTORS

	2006	2005
	£	£
Trade debtors	<u>43,281</u>	<u>28,048</u>

10. CREDITORS: Amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	7,245	6,180
Trade creditors	7,154	20,691
Amounts owed to group undertakings	9,609	12,761
Accruals and deferred income	<u>23,754</u>	<u>1,000</u>
	<u>47,762</u>	<u>40,632</u>

11. RELATED PARTY TRANSACTIONS

During the year the company operated a loan account with a related party, Midland Railway Trust Limited. At 31 December 2006 the company owed Midland Railway Trust Limited £9,609 (2005 12,761). During the year Midland Railway Trust Limited charged the company £68,099 management charges. In accordance with the Company's Articles of Association, all available distributable profits, amounting to £nil (2005 £nil), were donated to Midland Railway Trust Limited.

12. SHARE CAPITAL

Authorised share capital:

	2006	2005
	£	£
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>122,846</u>	<u>122,846</u>	<u>122,750</u>	<u>122,750</u>

96 ordinary shares were issued at par during the year.

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

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

13. PROFIT AND LOSS ACCOUNT

	2006 £	2005 £
Balance brought forward	(25,632)	(13,124)
Profit/(loss) for the financial year	3,878	(12,508)
Balance carried forward	<u>(21,754)</u>	<u>(25,632)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit/(Loss) for the financial year	3,878	(12,508)
New ordinary share capital subscribed	96	96
Net addition/(reduction) to shareholders' funds	3,974	(12,412)
Opening shareholders' funds	97,118	109,530
Closing shareholders' funds	<u>101,092</u>	<u>97,118</u>

15. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2006 £	2005 £
Operating profit/(loss)	4,386	(12,509)
Depreciation	1,908	1,966
Decrease in stocks	2,196	4,398
(Increase)/decrease in debtors	(15,233)	10,739
Increase/(decrease) in creditors	6,065	(11,706)
Net cash outflow from operating activities	<u>(678)</u>	<u>(7,112)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2006 £	2005 £
Interest received	1	1
Interest paid	(509)	—
Net cash (outflow)/inflow from returns on investments and servicing of finance	<u>(508)</u>	<u>1</u>

CAPITAL EXPENDITURE

	2006 £	2005 £
Payments to acquire tangible fixed assets	—	(499)
Net cash outflow from capital expenditure	<u>—</u>	<u>(499)</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

15. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

FINANCING

	2006 £	2005 £
Issue of equity share capital	96	96
Net cash inflow from financing	<u>96</u>	<u>96</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £	2005 £
Decrease in cash in the period	(1,090)	(7,514)
Movement in net debt in the period	<u>(1,090)</u>	<u>(7,514)</u>
Net debt at 1 January 2006	(6,054)	1,460
Net debt at 31 December 2006	<u>(7,144)</u>	<u>(6,054)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2006 £	Cash flows £	At 31 Dec 2006 £
Net cash			
Cash in hand and at bank	126	(25)	101
Overdrafts	(6,180)	(1,065)	(7,245)
	<u>(6,054)</u>	<u>(1,090)</u>	<u>(7,144)</u>
Net debt	<u>(6,054)</u>	<u>(1,090)</u>	<u>(7,144)</u>