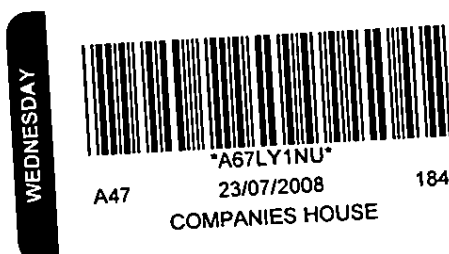


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COMPANY REGISTRATION NUMBER 2279310

MIDLAND RAILWAY ENTERPRISES PLC
FINANCIAL STATEMENTS
31 DECEMBER 2007



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

MIDLAND RAILWAY ENTERPRISES PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

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MIDLAND RAILWAY ENTERPRISES PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	R A L Nipper A West J Brindley C Deeth J Hett M Gallimore P Binks M Satchwell
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 2007

The directors present their report and the financial statements of the company for the year ended 31 December 2007

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

Despite the fall in sales of £97,000, given the current economic conditions the board is satisfied with the result for the year

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 loss for the year amounted to £23,340. The directors have not recommended a dividend

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

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

SUBSTANTIAL SHARE HOLDINGS

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

	No. shares
Midland Railway Trust	11,982
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 (2006 60 days)

MIDLAND RAILWAY ENTERPRISES PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2007

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.

MIDLAND RAILWAY ENTERPRISES PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2007

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 on behalf of the directors

J HETT

Director

Approved by the directors on



15th July 2008

MIDLAND RAILWAY ENTERPRISES PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDLAND RAILWAY ENTERPRISES PLC

YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Midland Railway Enterprises Plc for the year ended 31 December 2007, which have been prepared on the basis of the accounting policies set out on page 10

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 directors' 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 2007

QUALIFIED OPINION OPINION

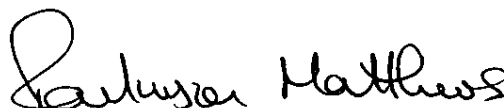
In our opinion

- 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 2007 and of its loss 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, Midland Railway Enterprises PLC, committees 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



PARKINSON MATTHEWS LLP
Chartered Accountants
& Registered Auditors

Cedar House
35 Ashbourne Road
Derby

15/7/08

MIDLAND RAILWAY ENTERPRISES PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
TURNOVER	2	293,386	390,489
Cost of sales		(270,524)	(254,355)
GROSS PROFIT		22,862	136,134
Administrative expenses		(45,632)	(131,748)
OPERATING (LOSS)/PROFIT	3	(22,770)	4,386
Interest receivable		2	1
Interest payable and similar charges	5	(572)	(509)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(23,340)	3,878
Tax on (loss)/profit on ordinary activities		—	—
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(23,340)	3,878

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 10 to 15 form part of these financial statements.

MIDLAND RAILWAY ENTERPRISES PLC

BALANCE SHEET

31 DECEMBER 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible assets	6	50,633	52,497
Investments	7	2	2
		<u>50,635</u>	<u>52,499</u>
CURRENT ASSETS			
Stocks	8	55,719	52,973
Debtors	9	32,450	43,281
Cash at bank		78	101
		<u>88,247</u>	<u>96,355</u>
CREDITORS: Amounts falling due within one year	10	<u>61,034</u>	<u>47,762</u>
NET CURRENT ASSETS		<u>27,213</u>	<u>48,593</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>77,848</u>	<u>101,092</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	122,942	122,846
Profit and loss account	13	(45,094)	(21,754)
SHAREHOLDERS' FUNDS	14	<u>77,848</u>	<u>101,092</u>

These financial statements were approved by the directors and authorised for issue on 15th July 2008, and are signed on their behalf by



J Hett
Director

The notes on pages 10 to 15 form part of these financial statements.

MIDLAND RAILWAY ENTERPRISES PLC

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15	(3,439)	(678)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	15	(570)	(508)
CASH OUTFLOW BEFORE FINANCING		<u>(4,009)</u>	<u>(1,186)</u>
FINANCING	15	96	96
DECREASE IN CASH	15	<u>(3,913)</u>	<u>(1,090)</u>

The notes on pages 10 to 15 form part of these financial statements.

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

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.

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

2. TURNOVER

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

	2007 £	2006 £
United Kingdom	<u>293,386</u>	<u>390,489</u>

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging

	2007 £	2006 £
Directors' emoluments	—	—
Depreciation of owned fixed assets	1,864	1,908
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

	2007 No	2006 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

	2007 £	2006 £
Wages and salaries	123,612	123,313
Social security costs	10,772	9,034
	<u>134,384</u>	<u>132,347</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable on bank borrowing	<u>572</u>	<u>509</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

6. TANGIBLE FIXED ASSETS

	Freehold & Leasehold Property £	Plant & Machinery £	Total £
COST			
At 1 January 2007 and 31 December 2007	<u>78,174</u>	<u>10,526</u>	<u>88,700</u>
DEPRECIATION			
At 1 January 2007	26,200	10,003	36,203
Charge for the year	<u>1,733</u>	<u>131</u>	<u>1,864</u>
At 31 December 2007	<u>27,933</u>	<u>10,134</u>	<u>38,067</u>
NET BOOK VALUE			
At 31 December 2007	<u>50,241</u>	<u>392</u>	<u>50,633</u>
At 31 December 2006	<u>51,974</u>	<u>523</u>	<u>52,497</u>

The net book value of Freehold and Leasehold Property comprises £8,864 relating to freehold land which is not depreciated, and £41,377 (2006 £43,110) related to long leasehold property

7. INVESTMENTS

	Other UK Unlisted Investments £
COST	
At 1 January 2007 and 31 December 2007	<u>2</u>
NET BOOK VALUE	
At 31 December 2007	<u>2</u>
At 31 December 2006	<u>2</u>

Investments are stated at cost

8. STOCKS

	2007 £	2006 £
Stock	55,719	50,973
Work in progress	<u>—</u>	<u>2,000</u>
	<u>55,719</u>	<u>52,973</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

9. DEBTORS

	2007	2006
	£	£
Trade debtors	<u>32,450</u>	<u>43,281</u>

10. CREDITORS: Amounts falling due within one year

	2007	2006
	£	£
Overdrafts	11,135	7,245
Trade creditors	8,946	7,154
Amounts owed to group undertakings	17,199	9,609
Accruals and deferred income	23,754	23,754
	<u>61,034</u>	<u>47,762</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 2007 the company owed Midland Railway Trust Limited £17,199 (2006 £9,609). At the year end, in accordance with the Company's Articles of Association, all available distributable profits, amounting to £nil (2006 £68,099), were donated to Midland Railway Trust Limited.

12. SHARE CAPITAL

Authorised share capital:

	2007	2006
	£	£
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>122,942</u>	<u>122,942</u>	<u>122,846</u>	<u>122,846</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 2007

13. PROFIT AND LOSS ACCOUNT

	2007	2006
	£	£
Balance brought forward	(21,754)	(25,632)
(Loss)/profit for the financial year	(23,340)	3,878
Balance carried forward	<u>(45,094)</u>	<u>(21,754)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
(Loss)/Profit for the financial year	(23,340)	3,878
New ordinary share capital subscribed	96	96
Net (reduction)/addition to shareholders' funds	(23,244)	3,974
Opening shareholders' funds	101,092	97,118
Closing shareholders' funds	<u>77,848</u>	<u>101,092</u>

15. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2007	2006
	£	£
Operating (loss)/profit	(22,770)	4,386
Depreciation	1,864	1,908
(Increase)/decrease in stocks	(2,746)	2,196
Decrease/(increase) in debtors	10,831	(15,233)
Increase in creditors	9,382	6,065
Net cash outflow from operating activities	<u>(3,439)</u>	<u>(678)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2007	2006
	£	£
Interest received	2	1
Interest paid	(572)	(509)
Net cash outflow from returns on investments and servicing of finance	<u>(570)</u>	<u>(508)</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

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

FINANCING

	2007 £	2006 £
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

	2007 £	2006 £
Decrease in cash in the period	(3,913)	(1,090)
Movement in net debt in the period	<u>(3,913)</u>	<u>(1,090)</u>
Net debt at 1 January 2007	<u>(7,144)</u>	<u>(6,054)</u>
Net debt at 31 December 2007	<u>(11,057)</u>	<u>(7,144)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2007 £	Cash flows £	At 31 Dec 2007 £
Net cash			
Cash in hand and at bank	101	(23)	78
Overdrafts	<u>(7,245)</u>	<u>(3,890)</u>	<u>(11,135)</u>
	<u>(7,144)</u>	<u>(3,913)</u>	<u>(11,057)</u>
Net debt	<u>(7,144)</u>	<u>(3,913)</u>	<u>(11,057)</u>

16. ULTIMATE PARENT COMPANY

Midland Railway Enterprises PLC is a subsidiary of Midland Railway Trust Limited Consolidated group accounts which include this company can be obtained from the company's registered office

MIDLAND RAILWAY ENTERPRISES PLC
MANAGEMENT INFORMATION
YEAR ENDED 31 DECEMBER 2007

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on pages 5 to 6**

MIDLAND RAILWAY ENTERPRISES PLC

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	2007	2006
	£	£
TURNOVER	293,386	390,489
COST OF SALES		
Opening stock	(50,973)	(51,669)
Opening work-in-progress	(2,000)	(3,500)
Catering purchases	(77,982)	(62,469)
Shop purchases	(44,226)	(27,819)
Engineering purchases	(20,967)	(29,179)
Farm purchases	(4,979)	(5,869)
Direct wages	(111,702)	(115,087)
National insurance contributions on direct labour	(10,772)	(9,034)
Transport charged by Trust	(2,642)	(2,702)
	<u>(326,243)</u>	<u>(307,328)</u>
Closing stock	55,719	50,973
Closing work-in-progress	<u>—</u>	<u>2,000</u>
	<u>(270,524)</u>	<u>(254,355)</u>
GROSS PROFIT	<u>22,862</u>	<u>136,134</u>
OVERHEADS		
Administrative expenses	(45,632)	(131,748)
OPERATING (LOSS)/PROFIT	(22,770)	4,386
Bank interest receivable	<u>2</u>	<u>1</u>
	<u>(22,768)</u>	<u>4,387</u>
Bank interest payable	(572)	(509)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES	<u>(23,340)</u>	<u>3,878</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	2007 £	£	2006 £
ADMINISTRATIVE EXPENSES			
Personnel costs			
Wages and salaries		11,910	8,226
Establishment expenses			
Light and heat	10,254		8,261
Insurance	7,163		8,591
		17,417	16,852
General expenses			
Postage and telephone	1,860		1,961
Printing and stationery	3,063		5,207
Sundry expenses	646		39
Laundry and cleaning	1,965		1,594
Advertising and publicity	5,378		4,556
Management charge	—		89,853
Auditors remuneration	1,000		1,000
Depreciation of leasehold property	1,733		1,733
Depreciation of plant and machinery	131		175
		15,776	106,118
Financial costs			
Bank charges		529	552
		45,632	131,748
INTEREST RECEIVABLE			
Bank interest receivable		2	1