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COMPANY REGISTRATION NUMBER 2279310

MIDLAND RAILWAY ENTERPRISES PLC
FINANCIAL STATEMENTS
31 DECEMBER 2008

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

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MIDLAND RAILWAY ENTERPRISES PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

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MIDLAND RAILWAY ENTERPRISES PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

A. M. West (Chairman)
P.R. Blinks
J.A. Brindley
C.P. Deeth
M.E. Gallimore (deceased 20.8.2008)
J.E. Hett (deceased 1.1.2009)
R. A. L. Nipper
M.J. Setchell

Company secretary

A.M. 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 2008

The directors present their report and the financial statements of the company for the year ended 31 December 2008.

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.

Taking into account the current economic conditions, the slight rise in turnover during the year of £23,000 together with a smaller loss of £7,562, 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.

During the year the company issued 99 £1 ordinary shares at par.

RESULTS AND DIVIDENDS

The loss for the year amounted to £7,562. 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:

A.M. West
P.R. Buinks
J.A. Brindley
C.P. Deeth
M.E. Gallimore
J.E. Hett
R. A. L. Nipper
M.J. Setchell

M Gallimore passed away on 30 August 2008.

J Hett passed away on 1 January 2009.

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

MIDLAND RAILWAY ENTERPRISES PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

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 (2007: 60 days).

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 2008

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:

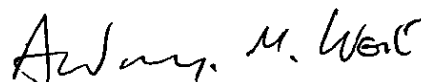
Butterley Station

Ripley

Derbyshire

DE5 3QZ

Signed on behalf of the directors



A West

Director

Approved by the directors on 14.7.09

MIDLAND RAILWAY ENTERPRISES PLC

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

YEAR ENDED 31 DECEMBER 2008

We have audited the financial statements of Midland Railway Enterprises Plc for the year ended 31 December 2008, 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 2008

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 2008 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.

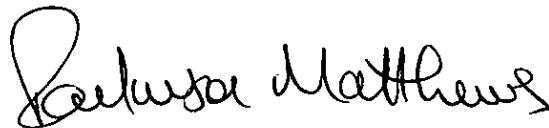
Statement in pursuance of Section 3D of the Articles of Association

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.

Cedar House
35 Ashbourne Road
Derby

14/07/09



PARKINSON MATTHEWS LLP
Chartered Accountants
& Registered Auditors

MIDLAND RAILWAY ENTERPRISES PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
TURNOVER	2	316,274	293,386
Cost of sales		<u>(283,356)</u>	<u>(270,524)</u>
GROSS PROFIT		32,918	22,862
Administrative expenses		<u>(40,013)</u>	<u>(45,632)</u>
OPERATING LOSS	3	(7,095)	(22,770)
Interest receivable		–	2
Interest payable and similar charges	5	<u>(467)</u>	<u>(572)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(7,562)	(23,340)
Tax on loss on ordinary activities		–	–
LOSS FOR THE FINANCIAL YEAR		<u>(7,562)</u>	<u>(23,340)</u>

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 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	6	48,802	50,633
Investments	7	2	2
		<u>48,804</u>	<u>50,635</u>
CURRENT ASSETS			
Stocks	8	53,664	55,719
Debtors	9	22,745	32,450
Cash at bank		28	78
		<u>76,437</u>	<u>88,247</u>
CREDITORS: Amounts falling due within one year	10	<u>54,856</u>	<u>61,034</u>
NET CURRENT ASSETS		<u>21,581</u>	<u>27,213</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>70,385</u>	<u>77,848</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	123,041	122,942
Profit and loss account	13	(52,656)	(45,094)
SHAREHOLDERS' FUNDS	14	<u>70,385</u>	<u>77,848</u>

These financial statements were approved by the directors and authorised for issue on 14.7.09, and are signed on their behalf by:

A. West

A West
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 2008

	Note	2008 £	2007 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15	1,745	(3,439)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	15	(467)	(570)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		1,278	(4,009)
FINANCING	15	99	96
INCREASE/(DECREASE) IN CASH	15	<u>1,377</u>	<u>(3,913)</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 2008

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

Freehold land is not depreciated.

Stocks

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

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

	2008	2007
	£	£
United Kingdom	<u>316,274</u>	<u>293,386</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3. OPERATING LOSS

Operating loss is stated after charging:

	2008	2007
	£	£
Directors' emoluments	—	—
Depreciation of owned fixed assets	1,831	1,864
Auditor's remuneration		
- as auditor	<u>2,000</u>	<u>1,000</u>

4. PARTICULARS OF EMPLOYEES

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

	2008	2007
	No	No
Number of management staff	1	1
Number of catering and sales staff	4	5
Number of engineering staff	5	5
	<u>10</u>	<u>11</u>

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	111,692	123,612
Social security costs	8,057	10,772
	<u>119,749</u>	<u>134,384</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
Interest payable on bank borrowing	<u>467</u>	<u>572</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

6. TANGIBLE FIXED ASSETS

	Freehold & Leasehold Property £	Plant & Machinery £	Total £
COST			
At 1 January 2008 and 31 December 2008	<u>78,174</u>	<u>10,526</u>	<u>88,700</u>
DEPRECIATION			
At 1 January 2008	27,933	10,134	38,067
Charge for the year	<u>1,733</u>	<u>98</u>	<u>1,831</u>
At 31 December 2008	<u>29,666</u>	<u>10,232</u>	<u>39,898</u>
NET BOOK VALUE			
At 31 December 2008	<u>48,508</u>	<u>294</u>	<u>48,802</u>
At 31 December 2007	<u>50,241</u>	<u>392</u>	<u>50,633</u>

The net book value of Freehold and Leasehold Property comprises £8,864 relating to freehold land which is not depreciated, and £39,644 (2007: £41,377) related to long leasehold property.

7. INVESTMENTS

	Other UK Unlisted Investments £
COST	
At 1 January 2008 and 31 December 2008	<u>2</u>
NET BOOK VALUE	
At 31 December 2008	<u>2</u>
At 31 December 2007	<u>2</u>

Investments are stated at cost.

8. STOCKS

	2008 £	2007 £
Stock	<u>53,664</u>	<u>55,719</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

9. DEBTORS

	2008	2007
	£	£
Trade debtors	15,684	32,450
Amounts owed by group undertakings	7,061	–
	<u>22,745</u>	<u>32,450</u>

10. CREDITORS: Amounts falling due within one year

	2008	2007
	£	£
Overdrafts	9,708	11,135
Trade creditors	21,394	8,946
Amounts owed to group undertakings	–	17,199
Accruals and deferred income	23,754	23,754
	<u>54,856</u>	<u>61,034</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 2008 the company was owed by Midland Railway Trust Limited £7,061 (2007: owed to Midland Railway Trust Limited £17,199). At the year end, in accordance with the Company's Articles of Association, all available distributable profits, amounting to £nil (2007: £nil), were donated to Midland Railway Trust Limited.

12. SHARE CAPITAL

Authorised share capital:

	2008	2007
	£	£
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	<u>123,041</u>	<u>123,041</u>	<u>122,942</u>	<u>122,942</u>

99 £1 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 2008

13. PROFIT AND LOSS ACCOUNT

	2008	2007
	£	£
Balance brought forward	(45,094)	(21,754)
Loss for the financial year	(7,562)	(23,340)
Balance carried forward	<u>(52,656)</u>	<u>(45,094)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	2007
	£	£
Loss for the financial year	(7,562)	(23,340)
New ordinary share capital subscribed	99	96
Net reduction to shareholders' funds	(7,463)	(23,244)
Opening shareholders' funds	77,848	101,092
Closing shareholders' funds	<u>70,385</u>	<u>77,848</u>

15. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2008	2007
	£	£
Operating loss	(7,095)	(22,770)
Depreciation	1,831	1,864
Decrease/(increase) in stocks	2,055	(2,746)
Decrease in debtors	9,705	10,831
(Decrease)/increase in creditors	(4,751)	9,382
Net cash inflow/(outflow) from operating activities	<u>1,745</u>	<u>(3,439)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2008	2007
	£	£
Interest received	—	2
Interest paid	(467)	(572)
Net cash outflow from returns on investments and servicing of finance	<u>(467)</u>	<u>(570)</u>

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

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

FINANCING

	2008	2007
	£	£
Issue of equity share capital	99	96
Net cash inflow from financing	<u>99</u>	<u>96</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008	2007
	£	£
Increase/(Decrease) in cash in the period	<u>1,377</u>	<u>(3,913)</u>
Movement in net debt in the period	<u>1,377</u>	<u>(3,913)</u>
Net debt at 1 January 2008	<u>(11,057)</u>	<u>(7,144)</u>
Net debt at 31 December 2008	<u>(9,680)</u>	<u>(11,057)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2008	Cash flows	At 31 Dec 2008
	£	£	£
Net cash:			
Cash in hand and at bank	78	(50)	28
Overdrafts	<u>(11,135)</u>	<u>1,427</u>	<u>(9,708)</u>
	<u>(11,057)</u>	<u>1,377</u>	<u>(9,680)</u>
Net debt	<u>(11,057)</u>	<u>1,377</u>	<u>(9,680)</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 2008

**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 2008

	2008	2007
	£	£
TURNOVER	316,274	293,386
COST OF SALES		
Opening stock	(55,719)	(50,973)
Opening work-in-progress	—	(2,000)
Catering purchases	(91,377)	(77,982)
Shop purchases	(35,752)	(44,226)
Engineering purchases	(31,122)	(20,967)
Farm purchases	(7,237)	(4,979)
Direct wages	(103,758)	(111,702)
National insurance contributions on direct labour	(8,057)	(10,772)
Transport charged by Trust	(3,998)	(2,642)
	<u>(337,020)</u>	<u>(326,243)</u>
Closing stock	<u>53,664</u>	<u>55,719</u>
	<u>(283,356)</u>	<u>(270,524)</u>
GROSS PROFIT	32,918	22,862
OVERHEADS		
Administrative expenses	(40,013)	(45,632)
OPERATING LOSS	(7,095)	(22,770)
Bank interest receivable	—	2
	<u>(7,095)</u>	<u>(22,768)</u>
Bank interest payable	(467)	(572)
LOSS ON ORDINARY ACTIVITIES	(7,562)	(23,340)

MIDLAND RAILWAY ENTERPRISES PLC

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

	2008	2007
	£	£
ADMINISTRATIVE EXPENSES		
Personnel costs		
Wages and salaries	7,934	11,910
Establishment expenses		
Light and heat	5,457	10,254
Insurance	7,990	7,163
	<u>13,447</u>	<u>17,417</u>
General expenses		
Postage and telephone	2,098	1,860
Printing and stationery	3,419	3,063
Sundry expenses	357	646
Laundry and cleaning	2,121	1,965
Advertising and publicity	5,064	5,378
Auditors remuneration	2,000	1,000
Depreciation of leasehold property	1,733	1,733
Depreciation of plant and machinery	98	131
	<u>16,890</u>	<u>15,776</u>
Financial costs		
Bank charges	1,742	529
	<u>40,013</u>	<u>45,632</u>
INTEREST RECEIVABLE		
Bank interest receivable	—	2