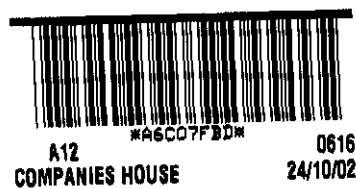


WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

DIRECTORS' REPORT
and
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001



Company No. 0790125 (England and Wales)
Registered Charity No. 1039817

WELSH HIGHLAND RAILWAY LIMITED

(Limited by Guarantee)

COMPANY INFORMATION

Directors	D. W. Allan A. Blackwell G. Farr A. J. Goodwin J. H. Kerr A. McNicol R. Ollier J. M. Savage R. A. Sinclair P. Thomason
Secretary	G. Ll. Hughes
Company Number	0790125 (England and Wales)
Registered Charity Number	1039817
Registered Office	Gelerts Farm Works Madoc Street Porthmadog Gwynedd LL49 9DY
Auditors	Morris Gregory Chartered Accountants and Registered Auditors County End Business Centre Jackson Street Springhead Oldham O14 4TZ
Bankers	Girobank Plc 62 Hagley Road Birmingham B16 8PE and National Westminster Bank Plc 72 High Street Porthmadog Gwynedd LL49 9NR

WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 11
The following pages do not form part of the financial statements	
Income and expenditure account	12 - 13

DIRECTORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2001

The directors present their report and financial statements for the year ended December 31, 2001.

Principal activity and status

The Company's principal activity continued to be the operation and development of its site at Porthmadog. It aims to preserve and illustrate the history of the Welsh Highland Railway, which ceased operations in 1937, and to support the revival of the whole of that scenic route as a railway for the benefit of tourists and residents alike. The Company is a registered charity under Charity Number 1039817.

Chairman's report

"Steady as she goes" could well sum up the year 2001. In spite of the horrific television pictures of the effect of the foot and mouth epidemic, and the subsequent substantial fall in visitor numbers to North Wales, the company managed to show both a slight increase in passenger numbers and in income.

The Pont Croesor Extension Appeal continued to generate funds and a considerable amount of work was done in clearing sixty year's worth of accumulated rubbish from the track bed beyond Pen y Mount. Gangs of volunteers cleared the entangling brambles and gorse and the track bed emerged from beneath all this clutter as the first sign of real progress towards the company's long awaited goal of extending the railway.

On the engineering side "Gelert" required a major overhaul, but thanks to the generosity of a member a planned campaign of work, using professional and volunteer labour was put in hand to try and ensure the locomotive was back in steam for summer 2002. Slow progress was made on the restoration of coach 42 (the Hudson Toastrack). Again, thanks to the generosity of a member the company was able to purchase the almost completed 4-wheel coach, with plans to use it as a brake van.

A lot of work was accomplished in providing "better value for money" for the passengers. The shed tours were enhanced with the provision of a diesel loco with push button sound controls, and this certainly created a lot of interest for children of all ages! One of the ex-RNAD covered vans was painted maroon and was left in the Porthmadog headshunt where it created an interesting focal point for passengers.

2001 saw the retirement of several old hands principally from the shop and from the Beddgelert Company. Mention has been made of their major contribution to the wellbeing of the company in "The Journal" - it only remains to confirm that their efforts will be sadly missed, and the company is extremely grateful for their splendid example and involvement over the years.

Progress on the museum proposal remains static, with Gwynedd Council taking their time to assess the benefits of the plans. However support remains widespread for the scheme and during the year the company continued to acquire several interesting narrow gauge railway relics.

The devastating effect of the upset of recent years continues to fade, morale has improved and the company remains strong; it is making steady progress in achieving its goals.

SORP 2000

The major risks to which the Company is exposed, as identified by the Directors, have been reviewed and systems have been established to mitigate these risks.

Organisation

The Directors determine the general policy of the Company, with the day to day management being delegated to Heads of Department and the Commercial Manager.

**DIRECTORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2001**

Directors

The directors who served during the year were:

D. W. Allan
A. Blackwell
G. Farr
A. J. Goodwin
J. H. Kerr
A. McNicol
R. Ollier
J. M. Savage
R. A. Sinclair
P. Thomason

Constitution

The Company is limited by guarantee and its governing document is its Memorandum and Articles of Association. In the event of a winding up of the company each member shall contribute to the debts and liabilities up to a minimum of £1.

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 and 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.

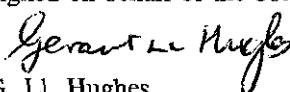
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, Morris Gregory will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the board on May 30, 2002 and has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the board of directors.


G. Ll. Hughes
Secretary

**INDEPENDENT AUDITORS' REPORT TO THE
SHAREHOLDERS OF WELSH HIGHLAND RAILWAY LIMITED**

We have audited the financial statements of Welsh Highland Railway Limited for the year ended December 31, 2001 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for preparing the financial statements in accordance with applicable law and 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 prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all of 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 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 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 charitable company's state of affairs as at December 31, 2001 and of its incoming resources and application of resources, including its income and expenditure in the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



MORRIS GREGORY
CHARTERED ACCOUNTANTS
and
REGISTERED AUDITORS
OLDHAM

May 30, 2002

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2001

SUMMARY INCOME AND EXPENDITURE ACCOUNT

	<u>Notes</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u> <u>2001</u>	<u>Total</u> <u>2000</u>
		£	£	£	£
Incoming resources					
Passenger fares and other income	2	-	25,658	25,658	19,704
Covenanted income from subsidiary companies		-	11,000	11,000	8,400
Contribution from subsidiary company		-	-	-	-
Contribution from Russell Cafe		-	1,500	1,500	1,500
Fundraising and subscriptions		24,575	10,393	34,968	28,924
Total income		£ 24,575	£ 48,551	£ 73,126	£ 58,528
Resources expended					
Direct charitable expenditure					
Railway operating costs and projects		3,979	38,386	42,365	38,670
Other expenditure					
Management and administration		-	5,025	5,025	7,232
Total expenditure		£ 3,979	£ 43,411	£ 47,390	£ 45,902
Net income for the year	3	£ 20,596	£ 5,140	£ 25,736	£ 12,626

There were no recognised gains or losses other than those included in the statement of financial affairs.

WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

5

BALANCE SHEET
AT DECEMBER 31, 2001

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
		£	£
Fixed assets			
Tangible assets	5	265,933	269,286
Investments	6	18,202	18,202
		<u>284,135</u>	<u>287,488</u>
Current assets			
Stocks		500	500
Debtors	7	10,565	8,151
Cash at bank and in hand		43,685	18,269
		<u>54,750</u>	<u>26,920</u>
Creditors: amounts falling due within one year	8	(11,915)	(9,924)
Net current assets		<u>42,835</u>	<u>16,996</u>
Total assets less current liabilities		<u>326,970</u>	<u>304,484</u>
Creditors: amounts falling due after more than one year	9	(27,870)	(30,835)
Deferred grants	10	(11,823)	(12,108)
		<u>£ 287,277</u>	<u>£ 261,541</u>
Capital			
Revaluation reserve	12	118,957	119,393
Restricted income funds	12	47,216	26,620
Unrestricted funds	12	121,104	115,528
Retained funds	13	<u>£ 287,277</u>	<u>£ 261,541</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board of Directors on May 30, 2002 and are signed on its behalf by:

D. W. ALLAN
Director



The notes on pages 6 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

1. Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards and incorporate the results of the principal activity which is described in the directors' report and which is continuing.

The company has taken advantage of the exemption in FRS 1 from the requirement to prepare a cash flow statement on the grounds that it is a small company.

The company and its subsidiary undertakings comprise a small group. The company has taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts. The financial statements therefore present information about the company as one individual undertaking and not about its group.

The company is a registered charity under Charity Number 1039817.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	-	2% straight line basis
Rail, rolling stock, plant and machinery	-	rates between 10% reducing balance basis and 50% straight line basis.

1.3 Stocks

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

2. Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts. Turnover is attributable to one continuing activity.

There were no exports during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

3. Operating surplus

The operating surplus is stated after charging or (crediting):

	<u>2001</u>	<u>2000</u>
	£	£
Depreciation of tangible fixed assets		
- owned by the company	7,053	7,545
Life memberships released to income	(1,483)	(1,483)
Grant released to income	(285)	(285)

4. Taxation

There is no corporation tax payable because of the company's charitable status.

5. Tangible fixed assets

	<u>Freehold land and buildings</u>	<u>Rail, rolling stock, plant and machinery</u>	<u>Total</u>
	£	£	£
Cost or valuation			
At January 1, 2001	255,288	120,387	375,675
Additions	3,201	499	3,700
At December 31, 2001	<u>258,489</u>	<u>120,886</u>	<u>379,375</u>
Depreciation			
At January 1, 2001	21,666	84,723	106,389
Charge for the year	3,020	4,033	7,053
At December 31, 2001	<u>24,686</u>	<u>88,756</u>	<u>113,442</u>
Net book values			
At December 31, 2001	<u>£ 233,803</u>	<u>£ 32,130</u>	<u>£ 265,933</u>
At December 31, 2000	<u>£ 233,622</u>	<u>£ 35,664</u>	<u>£ 269,286</u>

Included in the cost or valuation of freehold land and buildings are assets stated at their 1990 valuation of £150,000. The original cost of these assets amounted to £35,549.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

6. Investments

	<u>2001</u>	<u>2000</u>
	£	£
Investment in subsidiary undertakings		
Subsidiary company - Cwmni Rheilffordd Beddgelert Cyfyngedig	18,100	18,100
- Cwmni Rheilffordd Caernarfon Cyfyngedig	100	100
- Welsh Highland Railway Trading Limited	2	2
	<u>£ 18,202</u>	<u>£ 18,202</u>

Cwmni Rheilffordd Caernarfon Cyfyngedig was dissolved on May 7, 2002.

	<u>Beddgelert</u>	<u>Caernarfon</u>	<u>W H R Trading Ltd</u>
Country of registration	England and Wales	England and Wales	England and Wales
Holding	Ordinary shares	Ordinary shares	Ordinary shares
Proportion held	100%	100%	100%
Aggregate of share capital and reserves			
At December 31, 2001	£ 18,351	£ (57)	£ 2
Profit/(loss) retained for the financial year ended			
December 31, 2001	£ (29)	£ -	£ -
Nature of business	(see below)*	Non-trading	Non-trading

*The raising of funds by various means in order to rebuild, restore and operate the narrow gauge railway between Porthmadog and Dinas. The company also operates the shop.

7. Debtors

	<u>2001</u>	<u>2000</u>
	£	£
Due within one year		
Income tax recoverable	6,725	3,225
Other taxation recoverable	910	137
Other debtors	1,436	1,423
Amounts due from subsidiary companies	10	567
Prepayments and accrued income	1,484	2,799
	<u>£ 10,565</u>	<u>£ 8,151</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

8. Creditors: amounts falling due within one year

	<u>2001</u>	<u>2000</u>
	£	£
Bank loans and overdrafts (secured)	1,767	1,600
Trade creditors	5,171	3,312
Amounts due to subsidiary company	203	203
Interest free loans	2,100	2,100
Accruals	1,177	1,227
Life memberships reserve	1,497	1,482
	<u>£ 11,915</u>	<u>£ 9,924</u>

9. Creditors: amounts falling due after more than one year

	<u>2001</u>	<u>2000</u>
	£	£
Life memberships reserve	14,801	15,999
Bank loan (secured)	13,069	14,836
	<u>£ 27,870</u>	<u>£ 30,835</u>
Analysis of maturity of bank loan:		
Within one year	1,767	1,600
Between one and two years	1,953	1,767
Between two and five years	7,172	6,493
After five years	3,944	6,576
	<u>£ 14,836</u>	<u>£ 16,436</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

10. Deferred grants

	At January 1, 2001	Received during the year	Released to income	At December 31, 2001
	£	£	£	£
Welsh Development Agency	8,070	-	230	7,840
Welsh Tourist Board	2,198	-	15	2,183
Gwynedd Council	1,840	-	40	1,800
	<u>£ 12,108</u>	<u>£ -</u>	<u>£ 285</u>	<u>£ 11,823</u>
To be released:				
Within 12 months				285
After 12 months				11,538
				<u>£ 11,823</u>

The grants will be released back to income over the life of the assets to which they relate.

11. Liability of members

The number of members at December 31, 2001 is 970 (2000 : 989) and in the event of a winding up of the company each member shall contribute to the debts and liabilities up to a maximum of £1. In addition to the above there are 50 junior members.

12. Reserves

	<u>Restricted income funds</u>	<u>Unrestricted funds</u>	<u>Revaluation reserve</u>
	£	£	£
At January 1, 2001	26,620	115,528	119,393
Net income for the year	20,596	5,140	-
Transfers	-	436	(436)
At December 31, 2001	<u>£ 47,216</u>	<u>£ 121,104</u>	<u>£ 118,957</u>

13. Reconciliation of movement in retained funds

	<u>2001</u>	<u>2000</u>
	£	£
At January 1, 2001	261,541	248,915
Surplus for the year	25,736	12,626
At December 31, 2001	<u>£ 287,277</u>	<u>£ 261,541</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

14. Special projects

During the year the company had received specific donations of £24,575 (2000 : £12,854) which were held in connection with future expenditure on various projects as follows:

	<u>2001</u>	<u>2000</u>
	£	£
Pedemoura	1,730	1,730
Bagnall 3050	2,751	691
Bagnall 3023	236	236
Barclay Locos	112	112
Karen	2,991	2,206
Gladstone	631	631
NG15	4,628	4,628
Weighbridge	94	94
Museum	1,229	1,229
Membership	715	715
Workshop	50	50
Pont Croesor Extension Fund	32,000	14,196
Pen-y-Mount	102	102
Coach 42	195	-
Waggon 197	121	-
Boring machine	(170)	-
Brake van	(199)	-
	<u>£ 47,216</u>	<u>£ 26,620</u>

15. Analysis of fund balances between the net assets

	<u>Revaluation reserve</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
	£	£	£	£
Tangible fixed assets	118,957	99,760	47,216	265,933
Investments	-	18,202	-	18,202
Net current assets	-	42,835	-	42,835
Creditors due after more than one year	-	(27,870)	-	(27,870)
Deferred grants	-	(11,823)	-	(11,823)
	<u>£ 118,957</u>	<u>£ 121,104</u>	<u>£ 47,216</u>	<u>£ 287,277</u>

16. Capital commitments

At December 31, 2001 the company had capital commitments of £Nil (2000 : £Nil) both authorised and contracted for.

WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

12

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2001

		<u>2001</u>	<u>2000</u>
	£	£	£
Passenger fares (net)		25,574	19,684
Other		-	-
Scrap sales		84	20
Contribution from subsidiary company		11,000	8,400
Contribution from Russell Cafe		1,500	1,500
		<u>38,158</u>	<u>29,604</u>
Other operating income:			
Subscriptions	6,300		5,209
- Life memberships	1,483		1,483
Donations	2,392		6,020
- Development projects	21,004		15,336
- Locomotive projects	3,571		647
- Gift aid refund	-		-
Surplus on draws and competitions	218		229
		<u>34,968</u>	<u>28,924</u>
		<u>73,126</u>	<u>58,528</u>
Railway operating costs (per schedule)	35,032		29,835
Membership costs (per schedule)	3,160		5,387
Other costs (per schedule)	563		216
		<u>38,755</u>	<u>35,438</u>
		<u>34,371</u>	<u>23,090</u>
Depreciation		(7,053)	(7,545)
Income from investments		-	100
Bank interest receivable		2	1
Bank interest payable		(1,589)	(2,015)
Grants released to income		285	285
		<u>26,016</u>	<u>13,916</u>
Expenditure attributable to Special Funds		(280)	(1,290)
Surplus for the year		<u>£ 25,736</u>	<u>£ 12,626</u>

SCHEDULE TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>2001</u>	<u>2000</u>
	£	£
Railway operating costs:		
Wages	1,547	935
Locomotive fuel	2,212	2,114
Lubricants	1,243	841
Maintenance	6,719	4,991
Insurance	8,063	5,501
Marketing	6,652	6,761
Audit	1,095	1,050
Services	3,992	3,149
Administration	756	1,404
Sundries	1,357	805
Health and safety	69	260
Staff facilities	1,327	2,024
	<u>£ 35,032</u>	<u>£ 29,835</u>
	<u><u> </u></u>	<u><u> </u></u>
Membership costs:		
Journal	2,698	4,595
Secretarial	462	792
	<u>£ 3,160</u>	<u>£ 5,387</u>
	<u><u> </u></u>	<u><u> </u></u>
Other costs:		
Legal and professional	-	-
Bank charges	563	216
	<u>£ 563</u>	<u>£ 216</u>
	<u><u> </u></u>	<u><u> </u></u>