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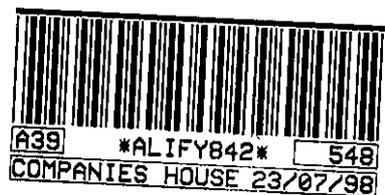
TEIFI VALLEY RAILWAY LIMITED

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FINANCIAL ACCOUNTS FOR THE  
YEAR ENDED 31 MARCH 1998

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MICHAEL S. RAMSEY, F.C.A.  
Chartered Accountant/Registered Auditor



TEIFI VALLEY RAILWAY LIMITED  
FINANCIAL ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 1998

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TEIFI VALLEY RAILWAY LIMITED  
REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1998

The Directors' present their annual report on the affairs of the Company together with the Accounts and Auditors' Report for the above period.

**1. RESULTS AND DIVIDENDS**

The Loss of the Company for the period was £(2,602) (31.03.97 - £(14,292)).

The Directors recommend that this be deducted from the retained earnings at the beginning of the period and that the balance of £(23,326) be carried forward.

No goods were exported from the U.K. during the period.

**2. REVIEW OF THE BUSINESS**

The company's principal activity was the continuing development of the Narrow Gauge Railway, the running of the trains from Henllan to Llandyfriog and the operation of the gift shop at the station.

**3. DIRECTORS**

The Directors of the Company during the period and their beneficial interests in the issued share capital of the Company at the beginning and end of the period were as follows :

	Ordinary Shares of £1 each	
	31.03.98	31.03.97
T G Williams	1	1

**4. LAND AND BUILDINGS**

The Directors are of the opinion that the market value of the Company's Freehold Property is substantially in excess of the net book amount but, in the absence of a recent valuation, the amount of the excess is not quantified.

**5. POLITICAL AND CHARITABLE DONATIONS**

No political or charitable donations were made during the YEAR.

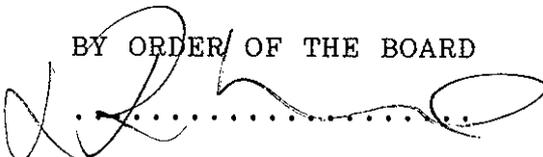
**6. STATUS**

The Company is a close company under the provisions of the Taxes Acts.

**7. AUDITORS**

A resolution will be proposed at the Annual General Meeting to re-appoint the auditors, messrs. MICHAEL S. RAMSEY, F.C.A..

BY ORDER OF THE BOARD

  
 Secretary

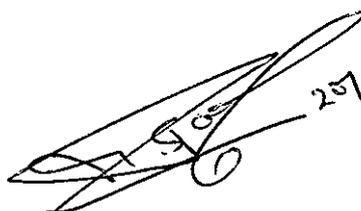
REPORT OF THE AUDITORS  
TO THE MEMBERS OF TEIFI VALLEY RAILWAY LIMITED  
FOR THE YEAR ENDED 31 MARCH 1998

We have audited the attached Balance Sheet, Profit and Loss Account and related schedules in accordance with approved auditing standards except that the scope of our work was limited by the matter referred to below.

The majority of income related to cash transactions. Whilst we are satisfied that the recording to ticket income is satisfactory, we still have reservations as to the method of recording income at the shop and this is subject to a lack of internal control. We cannot satisfy ourselves to the recording of certain cash expenses and have accepted the directors assurances in the absence of above control.

Subject to any adjustments that we might have found necessary had we been able to satisfy ourselves as to the matter referred to above, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st March 1998 and of its results comply with Companies Act 1985.

MICHAEL S RAMSEY, F.C.A.  
Chartered Accountant/Registered Auditor



25/7/98

TEIFI VALLEY RAILWAY LIMITEDPROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1998

	<u>31.03.98</u>		<u>31.03.97</u>	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Turnover		104,039		95,304
Cost of Sales				
Production Costs		12,666		13,387
<b>GROSS PROFIT</b>		<u>91,373</u>		<u>81,917</u>
Administration Costs				
General Overheads	94,314		95,872	
Auditors' Remuneration	1,575		1,500	
Depreciation	(1,488)		(1,038)	
		<u>94,401</u>		<u>96,334</u>
		(3,028)		(14,417)
Sundry Income				
Bank Interest Received - Gross		325		224
<b>LOSS BEFORE TAXATION</b>		<u>(2,703)</u>		<u>(14,193)</u>
Tax on Ordinary Activities		101		(99)
<b>LOSS FOR THE YEAR</b>		<u>£ (2,602)</u>		<u>£ (14,292)</u>
<b>STATEMENT OF RETAINED EARNINGS</b>				
Retained Losses brought forward		(20,725)		(6,432)
Retained Losses for the Year		(2,602)		(14,292)
Retained Loss Carried Forward		<u>£ (23,327)</u>		<u>£ (20,724)</u>

TEIFI VALLEY RAILWAY LIMITEDTRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1998

	<u>31.03.98</u>		<u>31.03.97</u>	
	£	£	£	£
Ticket Sales		68,268		60,663
Shop Sales		20,183		18,870
Miscellaneous		8,640		6,772
Cafe Rents		6,000		6,000
Donations		948		2,999
		<hr/>		<hr/>
		104,039		95,304
 <u>COST OF SALES</u>				
Opening Stock		5,713		5,203
Shop Purchases		19,053		13,897
Closing Stock		(12,100)		(5,713)
		<hr/>		<hr/>
		12,666		13,387
 <u>GROSS PROFIT</u>				
		<hr/>		<hr/>
		91,373		81,917
Bank Interest Received - Gross		325		224
		<hr/>		<hr/>
		91,698		82,141
 <u>LESS OVERHEADS</u>				
Staff Wages, Travelling & Training		5,242		7,474
Sub-Contractors		10,316		11,485
Carriage Maintenance		1,432		517
Loco. Running Costs		4,257		5,238
Track and Building Maintenance		-		1,763
General Repairs and Renewals		2,944		8,829
Telephone Charges		882		543
Postage and Stationery		3,860		4,255
Advertising		15,107		8,388
Hire of Equipment		929		500
Heating and Lighting		2,192		2,317
Insurances		2,918		1,110
Rent Rates and Wayleaves		590		2,239
Bank Charges		2,545		1,909
Legal and Professional Fees		150		-
Consultancy Fees		37,643		30,686
Entertainers & Expenses		350		4,798
Credit Card Charges		491		-
Sundry Expenses		2,466		3,821
Auditors Remuneration		1,575		1,500
Depreciation Freehold Property		9,679		9,348
Depreciation Plant & Equipment		2,118		1,804
Depreciation Fixtures & Fittings		527		1,683
Release of Grants		(13,812)		(13,873)
		<hr/>		<hr/>
		94,401		96,334
 <u>NET LOSS FOR THE YEAR</u>				
		<hr/>		<hr/>
		£ 2,703		£ 14,193
		<hr/>		<hr/>

TEIFI VALLEY RAILWAY LIMITEDBALANCE SHEET  
AS AT 31 MARCH 1998

	<u>Notes</u>	<u>31.03.98</u>		<u>31.03.97</u>	
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>FIXED ASSETS</b>					
Tangible Assets	6		288,506		280,725
<b>CURRENT ASSETS</b>					
Stock and Work in Progress	7	12,100		5,713	
Debtors	8	8,470		4,653	
Cash at Bank and in Hand		8,462		8,841	
			<u>29,032</u>		<u>19,207</u>
<b>CREDITORS</b>					
Amounts due within one year	9	69,815		41,142	
<b>NET CURRENT LIABILITIES</b>					
			<u>(40,783)</u>		<u>(21,935)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			<u>247,723</u>		<u>258,790</u>
<b>CREDITORS</b>					
Amounts due in more than one year	9	8,658		7,542	
			<u>8,658</u>		<u>7,542</u>
			<u>£ 239,065</u>		<u>£ 251,248</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	10		57,150		51,400
Reserves	11		181,915		199,848
			<u>£ 239,065</u>		<u>£ 251,248</u>

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DIRECTORS

.....20/7/98..... DATE

TEIFI VALLEY RAILWAY LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 MARCH 1998

	<u>31.03.98</u>		<u>31.03.97</u>	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>TRADING SOURCE OF FUNDS</b>				
Net Loss before Taxation		(2,703)		(14,193)
Adjustment for Items not involving the movement of Funds:				
Depreciation	12,324		12,835	
Grants Released	(13,812)		(13,873)	
		(1,488)		(1,038)
		(4,191)		(15,231)
<b>OTHER SOURCES OF FUNDS</b>				
Issue of Shares	5,750		-	
Tax Recovered	101		-	
Grants Released	13,812		13,873	
	19,663		13,873	
<b>APPLICATION OF FUNDS</b>				
Decrease in Reserves	15,332		13,373	
Tax Paid	-		99	
Purchase of Fixed Assets	20,105		900	
	35,437		14,372	
		(15,774)		(499)
<b>DECREASE IN WORKING CAPITAL</b>		<u>£ (19,965)</u>		<u>£ (15,730)</u>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>				
Stock and Work in Progress		6,387		510
Debtors		3,817		2,989
Creditors		(15,250)		(1,319)
Movement in Net Liquid Funds:				
Bank Accounts		(14,565)		(18,335)
Cash in Hand		(354)		425
		<u>£ (19,965)</u>		<u>£ (15,730)</u>

## 1. ACCOUNTING POLICIES

- a. The Accounts have been prepared under the Historical Cost convention
- b. Depreciation is calculated on the tangible fixed assets by equal instalments over their estimated useful lives as follows:

Freehold Buildings	40 years
Rolling Stock	10 years
Plant and Equipment	5 years
Fixtures and Fittings	5 years

Amortisation is not commenced until capital work in progress has been completed and useful life of the asset has commenced.

- d. Stock is valued at the lower of Cost and Net Realisable Value after making due allowance for obsolete and slow-moving items.

## 2. TURNOVER

The turnover and loss before taxation is attributable to the Company's principal activity, namely, the operation of the train between Henllan and Llandyfriog and the running of the gift shop at Henllan Station.

## 3. OPERATING LOSS

The Operating Loss is stated after charging :

	<u>31.03.98</u>	<u>31.03.97</u>
	<u>£</u>	<u>£</u>
Amounts written off Tangible Assets	(1,488)	(1,038)
Auditors Remuneration	1,575	1,500
Staff Costs (Note 4)	5,242	7,474
	<u>          </u>	<u>          </u>

## 4. STAFF COSTS

	<u>31.03.98</u>	<u>31.03.97</u>
	<u>£</u>	<u>£</u>
Staff Wages, Travelling & Training	5,242	7,474
	<u>          </u>	<u>          </u>

The average weekly number of employees during the Year was as follows:

	<u>No.</u>	<u>No.</u>
Operating Staff	2	2

## 5. TAXATION

The company has no liability to Corporation Tax for the Year.

6. FIXED ASSETS

## Tangible Assets

	<u>Plant &amp; Equipment</u> £	<u>Rolling Stock</u> £	<u>Property</u> £	<u>TOTAL</u> £
<u>COST</u>				
At 01.04.97	22,348	38,305	373,900	434,553
Additions in YEAR	1,571	5,268	13,266	20,105
At 31.03.98	<u>23,919</u>	<u>43,573</u>	<u>387,166</u>	<u>454,658</u>
<u>DEPRECIATION</u>				
At 01.04.97	19,512	38,305	96,011	153,828
Charge for YEAR	2,118	527	9,679	12,324
At 31.03.98	<u>21,630</u>	<u>38,832</u>	<u>105,690</u>	<u>166,152</u>
<u>NET BOOK VALUE</u>				
At 31.03.98	<u>2,289</u>	<u>4,741</u>	<u>281,476</u>	<u>288,506</u>
At 31.03.97	<u>2,836</u>	<u>-</u>	<u>277,889</u>	<u>280,725</u>

7. STOCKS

	<u>31.03.98</u> £	<u>31.03.97</u> £
Closing Stock	<u>12,100</u>	<u>5,713</u>

8. DEBTORS

	<u>31.03.98</u> £	<u>31.03.97</u> £
<u>Amounts due within one year</u>		
Trade Debtors	3,960	1,520
Sundry Debtors	-	1,143
VAT Debtor	4,510	1,990
	<u>8,470</u>	<u>4,653</u>

9. CREDITORS

	<u>31.03.98</u>	<u>31.03.97</u>
	<u>£</u>	<u>£</u>
<b>Amounts due within one year</b>		
Bank Acc - Current	41,976	27,436
Trade Creditors	26,789	13,706
Accruals	1,050	-
	<u>69,815</u>	<u>41,142</u>
<b>Amounts due after more than one year</b>		
4% Unsecured Bearer Bonds	85	85
Int. Free Loan from Shareholders	4,846	6,530
Advances from Members	927	927
Loan from Member - 1	2,800	-
	<u>8,658</u>	<u>7,542</u>

10. SHARE CAPITAL

	<u>31.03.98</u>	<u>31.03.97</u>
	<u>£</u>	<u>£</u>
Authorised	100,000	100,000
Allotted, Issued and Fully Paid	<u>57,150</u>	<u>51,400</u>

11. RESERVES

	Other Reserves <u>£</u>	Profit & Loss A/c <u>£</u>
At 01.04.97	220,573	(20,725)
Transfers to/from Profit & Loss	(13,812)	
Amount not received Retained Loss for the YEAR	(1,520)	(2,602)
At 31.03.98	<u>205,241</u>	<u>(23,327)</u>
General Reserves		12,076
Other Reserves:		
MSC Capital Grants	287,932	
Mid Wales Dev.	19,106	
Local Auth. Grants	12,029	
Dev. Board Rural Wales	20,136	
Country L. Assoc	410	
Wales Tourist Board	3,000	
Local Auth & Stat.Undertakers,	1,701	
West Wales - TEC	2,500	
	<u>346,814</u>	
LESS; WTB amount not received	1,520	
	<u>345,294</u>	
Release to Profit & Loss Acc.	<u>152,129</u>	<u>193,165</u>
		<u>£ 205,241</u>

12. CONTINGENCIES

There are no contingent liabilities.

13. OTHER FINANCIAL COMMITMENTS

There are no other financial commitments.

14. POST BALANCE SHEET EVENTS

There are no post balance sheet events.