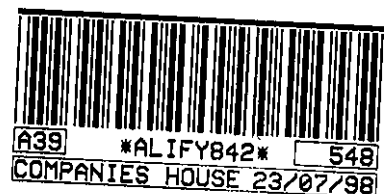


TEIFI VALLEY RAILWAY LIMITED

FINANCIAL ACCOUNTS FOR THE
YEAR ENDED 31 MARCH 1998

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



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

CONTENTS

1. Report of the Directors
2. Report of the Auditors
3. Profit and Loss Account
4. Balance Sheet
5. Statement of Source and Application of Funds
- 6-9 Notes to Accounts

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

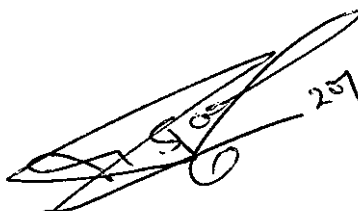
REPORT OF THE AUDITORS
TO THE MEMBERS OF TEIFI VALLEY RAILWAY LIMITED
FOR THE YEAR ENDED 31 MARCH 1998

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>
Turnover	104,039	95,304
Cost of Sales		
Production Costs	12,666	13,387
<u>GROSS PROFIT</u>	<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>
	<u>(3,028)</u>	<u>(14,417)</u>
Sundry Income		
Bank Interest Received - Gross	325	224
<u>LOSS BEFORE TAXATION</u>	<u>(2,703)</u>	<u>(14,193)</u>
Tax on Ordinary Activities	101	(99)
<u>LOSS FOR THE YEAR</u>	<u>£ (2,602)</u>	<u>£ (14,292)</u>

STATEMENT OF RETAINED EARNINGS

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/> 104,039		<hr/> 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/> 12,666		<hr/> 13,387
<u>GROSS PROFIT</u>		<hr/> 91,373		<hr/> 81,917
Bank Interest Received - Gross		325		224
		<hr/> 91,698		<hr/> 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/> 94,401		<hr/> 96,334
<u>NET LOSS FOR THE YEAR</u>		<hr/> <u>£ 2,703</u>		<hr/> <u>£ 14,193</u>

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>
TRADING SOURCE OF FUNDS		
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)
	<u>(1,488)</u>	<u>(1,038)</u>
	<u>(4,191)</u>	<u>(15,231)</u>
OTHER SOURCES OF FUNDS		
Issue of Shares	5,750	-
Tax Recovered	101	-
Grants Released	13,812	13,873
	<u>19,663</u>	<u>13,873</u>
APPLICATION OF FUNDS		
Decrease in Reserves	15,332	13,373
Tax Paid	-	99
Purchase of Fixed Assets	20,105	900
	<u>35,437</u>	<u>14,372</u>
	<u>(15,774)</u>	<u>(499)</u>
<u>DECREASE IN WORKING CAPITAL</u>	<u>£ (19,965)</u>	<u>£ (15,730)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL		
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 & 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> £
Amounts due within one year		
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>
Amounts due within one year		
Bank Acc - Current	41,976	27,436
Trade Creditors	26,789	13,706
Accruals	1,050	-
	<u>69,815</u>	<u>41,142</u>
Amounts due after more than one year		
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

	<u>Other Reserves £</u>	<u>Profit & Loss A/c £</u>
At 01.04.97	220,573	(20,725)
Transfers to/from Profit & Loss	(13,812)	
Amount not received	(1,520)	
Retained Loss for the YEAR		(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	<u>1,520</u>	
	<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.