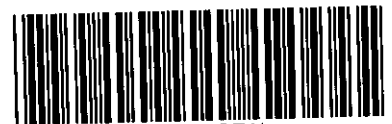


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006
FOR
HISTORIC STEAM LIMITED**

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HISTORIC STEAM LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2006**

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HISTORIC STEAM LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS:

Mr D Bodsworth
Mr O Pearcey

REGISTERED OFFICE:

Kew Bridge Steam Museum
Green Dragon Lane
Brentford
Middlesex
TW8 OEN

SECRETARY:

Mr T Goodwin

REGISTRATION NUMBER:

1185027 (England and Wales)

AUDITORS:

COLLARDS
2 High Street
Kingston-upon-Thames
Surrey
KT1 1EY

HISTORIC STEAM LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report with the financial statements of the company for the year ended 31 December 2006.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that the operation of the museum at Kew Bridge Pumping Station, Brentford Middlesex on behalf of Kew Bridge Engines Trust and Water Supply Museum Limited.

DIRECTORS

The directors during the year under review were:

Mr N F Reynolds (resigned 15 March 2007)
Mr D Bodsworth
Mr O Pearcey (appointed 15 March 2007)

The directors holding office at 31 December 2006 did not hold any beneficial interest in the issued share capital of the company at 1 January 2006 or 31 December 2006.

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.

STATEMENT AS TO DISCLOSURES OF INFORMATION TO AUDITORS

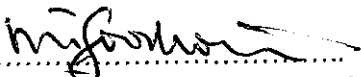
So far as the directors are aware, there is no relevant audit information (as defined by Section 234Z of the Companies Act 1985) of which the company's auditors are unaware, and the directors have taken all the steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

A resolution to re-appoint Collards as auditors will be proposed at the annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD


Mr T R T Goodwin - SECRETARY

Date: 17th May 2007

HISTORIC STEAM LIMITED
INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF
HISTORIC STEAM LIMITED

We have audited the financial statements of Historic Steam Limited for the year ended 31 December 2006. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

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 properly prepared in accordance with the Companies Act 1985. We also report to you, if in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any 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 the information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs at 31 December 2006 and of the results for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Collards
Chartered Accountants
Registered Auditors
2 High Street
Kingston-upon-Thames
Surrey KT1 1EY



24th May 2007

HISTORIC STEAM LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
TURNOVER		157,455	133,217
Cost of sales		(46,192)	(46,215)
GROSS PROFIT		<u>111,263</u>	<u>87,002</u>
Administration expenses		(96,298)	(92,806)
OPERATING PROFIT/(LOSS)	2	<u>14,965</u>	<u>(5,804)</u>
Interest payable and similar charges		-	(259)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		14,965	(6,063)
Tax on (loss)/profit on ordinary activities	3	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		14,965	(6,063)
Deficit brought forward		(132,419)	(126,356)
DEFICIT CARRIED FORWARD		<u><u>(117,454)</u></u>	<u><u>(132,419)</u></u>

The notes on pages 6 and 7 form part of these financial statements

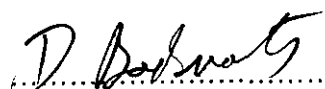
HISTORIC STEAM LIMITED

BALANCE SHEET 31 DECEMBER 2006

	Notes	2006 £	2005 £
CURRENT ASSETS:			
Stocks	4	21,142	22,764
Cash at bank and in hand		621	925
		<u>21,763</u>	<u>23,689</u>
CREDITORS: Amounts falling due within one year		-	-
		<u>-</u>	<u>-</u>
NET CURRENT ASSETS		21,763	23,689
 CREDITORS: Amounts falling due after more than 1 year, being loans from parent company	5		
		(39,117)	(56,008)
		<u>(17,354)</u>	<u>(32,319)</u>
 CAPITAL AND RESERVES:			
Called up share capital	6	100,100	100,100
Profit and loss account		(117,454)	(132,419)
SHAREHOLDERS' FUNDS		<u>(17,354)</u>	<u>(32,319)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

ON BEHALF OF THE BOARD:


.....
Mr D Bodsworth - DIRECTOR

Approved by the Board on 17th May 2007

The notes on pages 6 and 7 form part of these Financial Statements.

HISTORIC STEAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

Going Concern

The Trustees of the holding company have agreed to support the company for the foreseeable future. On the basis of the above, the financial statements have been prepared on a going concern basis.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standards for Smaller Entities (effective January 2005).

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Stocks

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

2 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2006 £	2005 £
Auditors' remuneration	500	500
Directors' emoluments and other benefits etc	None	None

3 TAXATION

No liability to UK corporation tax arises on ordinary activities for the year ended 31 December 2006 (2005: £Nil)

HISTORIC STEAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

4 STOCKS

	2006 £	2005 £
Stock	3,500	3,500
Work in progress	514	683
Finished goods	17,128	18,581
	<u>21,142</u>	<u>22,764</u>

5 CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2006 £	2005 £
Amount due to Parent Company	<u>39,117</u>	<u>56,008</u>

6 CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:			2006 £	2005 £
Number:	Class:	Nominal Value:		
100100	Ordinary	£1.00	<u>100,100</u>	<u>100,100</u>

7 ULTIMATE PARENT

In the directors' opinion the company's ultimate company and controlling party is Kew Bridge Engines Trust Limited which is incorporated in the United Kingdom. Copies of its group accounts, which include the company, are available from the registered office.