

Company Registration No 2740837

PROJECT DEFIANCE LIMITED

Report and Financial Statements

31st December 1998



PROJECT DEFIANCE LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND FINANCIAL ADVISERS

DIRECTORS

**D N Clough
R A Hale ACA
C R Holland
J S Tiley FCA
R Tiller**

SECRETARY

R A Hale ACA

REGISTERED OFFICE

**12 Bailey Close
Windsor
Berkshire
SL4 3RD**

PROJECT DEFIANCE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the financial statements for the fifteen month period ended 31st December 1998.

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors responsibilities for the preparation of the financial statements are detailed on page 4.

ACTIVITIES

The principal activity of the company is the operation of ex - British Rail Class 50 diesel locomotive no 50149 "Defiance". This activity is not expected to change in the foreseeable future.

REVIEW OF DEVELOPMENTS

Having replaced the main generator in March 1998 following the earth fault repairs, 50149 was ready to participate in the June Gala on the West Somerset Railway (WSR). Unfortunately the locomotive experienced sparking problems with the train heating generator early in the Gala. This unit had developed a serious fault and, as this also drives the radiator fan, 50149 could not participate further. During the late summer the generator was sent for repair and the locomotive remained out of use throughout the winter. As a result the Company received no income from running during the period. The Company sold some railstops during the period.

RESULTS AND DIVIDENDS

The trading loss for the period amounted to £1,451 (1997 - £2,723). No dividend was declared during the year and the loss, after taxation, of £1,487 (1997 - £2,746) has been transferred to reserves.

FUTURE DEVELOPMENTS

The train heating generator was replaced in the spring of 1999 and subsequently 50149 has returned to traffic. It is planned that Defiance will participate in a number of running days on the WSR during 1999.

FIXED ASSETS

Tangible fixed assets comprise 50149 Defiance, long term spares and a crane which was purchased during the period. The tangible fixed assets are disclosed in note 7 to the accounts at a total cost of £22,115.

It should be noted that the locomotive and spares are shown in the balance sheet at their original cost figure. It will be appreciated that the current realisable value whilst being extremely difficult to establish precisely is considerably in excess of this figure.

Investments held as fixed assets comprise a holding of 40,000 shares of 10p each in the West Somerset Railway Plc.

PROJECT DEFIANCE LIMITED

DIRECTORS ' REPORT (continued)

DIRECTORS

The directors who served during the period and their interests in the ordinary share capital of the company were as follows:

| | 1998 | 1997 |
|-------------|------|------|
| D N Clough | 81 | 81 |
| F H Grice | 2 | 2 |
| C R Holland | 3 | 3 |
| J S Tiley | 14 | 14 |
| R A Hale | 60 | 54 |
| R Tiller | 1 | 1 |

AUDITORS

The Companies Act 1985 confers exemption from audit for certain categories of small company. Under section 249A(1) those companies which meet the total exemption conditions in respect of a financial year are exempt from the obligation to have their annual accounts audited. The directors are satisfied that the company meets the total exemption conditions and have hence not instructed auditors to carry out an audit this year.

In view of the above, and that the total exemption conditions are likely to continue for the foreseeable future, a resolution not to appoint auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board.

R A Hale ACA

R.A. Hale

Secretary

PROJECT DEFIANCE LIMITED

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 as at the end of the financial year and of the profit or 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.

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.

PROJECT DEFIANCE LIMITED

PROFIT AND LOSS ACCOUNT
For the period ended 31st December 1998

| | Note | 1998 £ | 1997 £ |
|--|-----------|---------------|---------------|
| TURNOVER | 4 | 3200 | - |
| Operating (Loss) | 5 | (1623) | (2768) |
| Interest receivable and similar income | | 172 | 45 |
| Interest payable and similar charges | | - | - |
| (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | (1451) | (2723) |
| Tax charge on ordinary activities | 6 | 36 | 23 |
| (LOSS) FOR THE FINANCIAL PERIOD | 12 | (1487) | (2746) |

Note : There are no recognised gains and losses for the current financial period and preceding financial year other than as stated in the profit and loss account.

PROJECT DEFIANCE LIMITED

BALANCE SHEET 31st December 1998

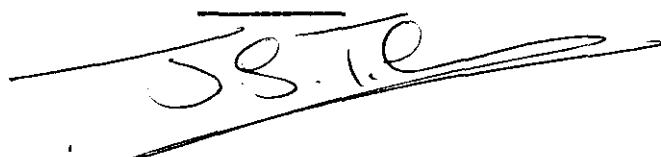
| | Note | 1998 £ | 1997 £ |
|---|------|---------------|---------------|
| FIXED ASSETS | | | |
| Tangible Assets | 7 | 11,721 | 12,219 |
| Investments | 8 | 4,000 | 4,000 |
| | | <u>15,721</u> | <u>16,219</u> |
| CURRENT ASSETS | | | |
| Stocks | 9 | 468 | 468 |
| Debtors | 10 | - | 145 |
| Cash at bank | | 3,404 | 2,978 |
| | | <u>3,872</u> | <u>3,591</u> |
| CREDITORS: Amounts falling due within one year | | <u>992</u> | <u>397</u> |
| NET CURRENT ASSETS | | <u>2,880</u> | <u>3,194</u> |
| | | <u>18,601</u> | <u>19,413</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 31,900 | 31,225 |
| Profit and loss account | 12 | (13,299) | (11,812) |
| | | <u>18,601</u> | <u>19,413</u> |

The directors confirm that:

- (a) for the year in question the company was entitled to exemption under subsection (1) of section 249A of the Companies Act 1985,
- (b) no notice has been deposited under section 249B(2) in relation to its accounts for the financial year, and
- (c) they acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with section 221, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to accounts, so far as applicable to the company.

Approved by the Board on 12th June 1999

J. S. Tiley Director



PROJECT DEFIANCE LIMITED

NOTES TO THE ACCOUNTS Period ended 31st December 1998

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow forecast on the grounds that it is a small company.

Tangible fixed assets

Depreciation is provided on the cost of assets in equal annual instalments over the estimated lives of the assets. The rate of depreciation is as follows:

| | |
|---------------------|---------------|
| Locomotive 50149 | 10% per annum |
| Locomotive spares | 10% per annum |
| Plant and machinery | 20% per annum |

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value

Stocks

Stocks comprising consumable stores are stated at the lower of cost and net realisable value.

2. EMPLOYEES

The company has no employees.

3. DIRECTORS

None of the directors received any remuneration during the period.

4. TURNOVER

Turnover represents invoiced sales to customers and is stated net of value added tax.

5. OPERATING LOSS

| | 1998 | 1997 |
|-------------------------------------|-------|-------|
| | £ | £ |
| Operating (loss) is after charging: | | |
| Depreciation | 2,948 | 1,967 |

PROJECT DEFIANCE LIMITED

NOTES TO THE ACCOUNTS Period ended 31st December 1998

6. TAXATION

The corporation tax charge arises on bank interest received, against which tax losses brought forward are not available

7. TANGIBLE FIXED ASSETS

| | Locomotive 50149 £ | Locomotive Spares £ | Plant and machinery £ | Total £ |
|----------------------------|--------------------------|---------------------------|-----------------------------|------------|
| Cost at 1st October 1997 | 10,000 | 9,665 | - | 19,665 |
| Additions | - | - | 2,450 | 2,450 |
| Cost at 31st December 1998 | 10,000 | 9,665 | 2,450 | 22,115 |
| Depreciation | | | | |
| At 1st October 1997 | 4,000 | 3,446 | - | 7,446 |
| Charge for the period | 1,250 | 1,208 | 490 | 2,948 |
| At 31st December 1998 | 5,250 | 4,654 | 490 | 10,394 |
| Net book value | | | | |
| At 31st December 1998 | 4,750 | 5,011 | 1,960 | 11,721 |
| At 30th September 1997 | 6,000 | 6,219 | - | 12,219 |

8. INVESTMENTS HELD AS FIXED ASSETS

The company continues to hold 40,000 shares of 10p each in the West Somerset Railway Plc at a cost of £4,000. Whilst there is no ready market in these shares, the Directors are satisfied that the price at which sales have taken place supports their being carried at cost in the balance sheet and that no provision for permanent diminution in value is necessary.

9. STOCKS

Stocks comprise consumable materials

10. DEBTORS

| | 1998 £ | 1997 £ |
|---------------|-----------|-----------|
| Other debtors | - | 145 |

PROJECT DEFIANCE LIMITED

NOTES TO THE ACCOUNTS

Period ended 31st December 1998

11. CALLED UP SHARE CAPITAL

| | 1998 £ | 1997 £ |
|--|----------------|----------------|
| Authorised 4,000 ordinary shares of £25 each | <u>100,000</u> | <u>100,000</u> |
| Allotted and fully paid 1,276 ordinary shares of £25 each | <u>31,900</u> | <u>31,225</u> |

During the period a further 27 ordinary shares were issued for cash to provide working capital. The Class 50 Society hold 362 ordinary shares representing 28% of the shares in issue at the balance sheet date.

12. PROFIT AND LOSS ACCOUNT

| | £ |
|-------------------------------------|-----------------|
| Debit balance at 1st October 1997 | (11,812) |
| Add : Loss for the period | (1,487) |
| Debit balance at 31st December 1998 | <u>(13,299)</u> |

13. RECONCILIATION OF MOVEMENT OF SHAREHOLDERS' FUNDS

| | 1998 £ | 1997 £ |
|--|---------------|---------------|
| Opening shareholders funds at 1st October 1997 | 31,225 | 30,300 |
| New share capital subscribed | 675 | 925 |
| Closing shareholders funds at 31st December 1998 | <u>31,900</u> | <u>31,225</u> |