

Company No 02924763

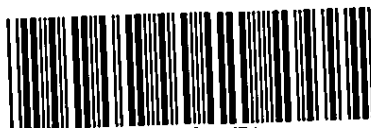
Central Railway Limited (formerly Central Railway PLC)

Directors' report and consolidated financial statements

Registered number 02924763

31 March 2007

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Directors' report and consolidated financial statements

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Chairman's statement

During the year the company made very considerable efforts to promote a revised and, I believe, better version of the Central Railway project. Changes in the scheme include a different route between Buckinghamshire and the Channel Tunnel which makes much greater use of existing railways, and a more extended system on the Continent. Perhaps more important has been our determination to seek effective working relationships with rail network owners on both sides of the Channel. The company's relations with the UK railway industry are as a result better than they were in 2004 or indeed at any stage. The company continues to seek corporate partners to support the project.

I am very pleased to welcome Gareth Jones and Chris Savage on to the Board. Gareth's career has included senior positions in major companies in the train rolling stock leasing and wholesale debt and financing markets. Chris, a long term member of the Central Railway team, brings valuable experience of government relations.

After the severe setback in March 2004 the company has kept its expenditure to a minimum. The company has been re-registered as a limited company and has closed its office in Central London. The Directors of the company have however continued to work on the project at their own expense, and provided the funds to keep the company in being. In recognition of this continuing commitment there has been an issue of share options to members of the board and other team members.

Central Railway offers both a commercial and a public policy opportunity to address the large and growing market for UK-continent freight and a feasible means to reduce emissions from road traffic whilst also increasing prosperity. As the environmental agenda becomes more prominent this could be expected to further the project's cause, especially were governments to proceed with proposals to introduce road pricing or a lorry road user charge.



Robert Raffety

Chairman

31st January 2008

Central Railway Limited is not currently a company carrying on a trade, it does not have any revenues and its sole purpose is to provide an investment vehicle for construction of this railway. At present, the company's principal asset is the value of its ideas and, in accordance with normal accounting practice, this value is not shown in the company's accounts. The accounts included in this document are not relevant to understanding the business case for the projects. They do not reflect the value of work carried out on the project by many of the company's suppliers.

Central Railway Limited
2 Lambs Passage
London
EC1Y 8BB

Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2007

Principal activities and business review

Central Railway Limited is a company formed to promote the development and operation of a single project, a modern railway system capable, unlike existing UK railways, of handling all sizes and kinds of railway traffic including in particular freight trains carrying lorries, lorry trailers and containers, as well as any size of Continental or UK freight or passenger rolling stock

Proposed dividends

The directors do not recommend the payment of a dividend (2006 *£nil*) The loss for the year retained in the group is £46,946 (2006 £31,738)

Directors and directors' interests

The directors who held office during the period were as follows

RJV Raffety
 AP Stevens
 IGA Hunter
 P Jenkinson
 MJ Butcher
 Sir T Legg
 M Cornil
 C Savage (appointed 18 October 2007)
 DG Jones (appointed 18 October 2007)

The directors who held office at the end of the financial period had the following interests in the ordinary shares of Central Railway PLC as recorded in the register of directors' share interests

	Class of share	At 31 March 2007	At 31 March 2006
AP Stevens	1p ordinary	3,430,500	1,430,500
RJV Raffety	1p ordinary	550,000	550,000
DG Jones	1p ordinary	-	-
IGA Hunter	1p ordinary	936,000	936,000
P Jenkinson	1p ordinary	265,816	265,816
M Cornil	1p ordinary	-	-
Sir T Legg	1p ordinary	6,000	6,000
MJ Butcher	1p ordinary	482,500	482,500
C Savage	1p ordinary	-	-

Directors' report (*continued*)

AP Stevens (and connected persons) held £9,000 (2006 £9,000) convertible loan stock in the company at the year end

IGA Hunter held £200,000 (2006 £200,000) convertible loan stock in the company at the year end No other directors or their immediate families held any interest in the loan stock of the company

Detailed below are the share options held by the directors

	Granted 20 December 2006 Number of shares	Granted 3 November 2003 Number of shares	Granted 13 September 2002 Number of shares	Granted 11 March 2002 Number of shares	Granted 18 April 2001 Number of shares
C Savage	1,750,000	250,000	250,000	250,000	-
DG Jones	1,750,000	-	-	-	-
RJV Raffety	1,750,000	50,000	150,000	250,000	100,000
AP Stevens	1,750,000	250,000	250,000	250,000	100,000
IGA Hunter	1,750,000	300,000	-	-	-
P Jenkinson	1,750,000	100,000	100,000	100,000	100,000
M Cornil	1,750,000	-	-	-	-
Sir T Legg	1,750,000	50,000	50,000	50,000	-
MJ Butcher	1,750,000	50,000	-	-	-

The options granted on 18 April 2001 can be exercised between 19 April 2001 and 18 April 2010 at an exercise price of 50p per share The options granted on 11 March 2002 can be exercised between 11 March 2002 and 10 March 2011 at an exercise price of 50p per share The options granted on 13 September 2002 can be exercised between 14 September 2002 and 13 September 2011 at an exercise price of 50p per share The options granted on 3 November 2003 can be exercised between 4 November 2003 and 3 November 2012 at an exercise price of 50p per share The options granted on 20 December 2006 can be exercised between 21 December 2006 and 1 November 2012 at an exercise price of 1p per share

Directors' report (*continued*)

Detailed below are the share warrants attached to shares acquired by the directors

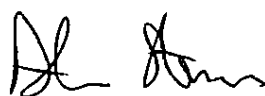
	A warrants	B warrants
	Number of warrants	Number of warrants
DG Jones	-	-
C Savage	-	-
R Raffety	-	-
AP Stevens	33,000	66,000
IGA Hunter	634,000	1,268,000
P Jenkinson	10,000	20,000
M Cornil	-	-
Sir T Legg	1,000	2,000
MJ Butcher	1,000	2,000

No other directors served during the year

Creditor payment policy

The company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not follow any code or standard on payments practice.

By order of the board



AP Stevens

Director

Central Railway Limited
 2 Lambs Passage
 London
 EC1Y 8BB

31 January 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards.

The group and company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

**Consolidated profit and loss account
 for the year ended 31 March 2007**

	2007 £	2006 £
Administrative expenses	(28,661)	(13,209)
Operating loss	(28,661)	(13,209)
Interest receivable	90	8
Interest payable	(18,375)	(18,537)
Loss on ordinary activities before taxation	(46,946)	(31,738)
Taxation	-	-
Loss on ordinary activities after taxation	(46,946)	(31,738)
Retained loss brought forward	(5,170,450)	(5,138,712)
Retained loss carried forward	(5,217,396)	(5,170,450)

There are no discontinued business activities. The consolidated profit and loss prepared on an unmodified historical cost basis would not differ from that above. There were no recognised gains or losses (2006: £nil) other than the loss for the financial year.

**Balance sheets
 at 31 March 2007**

	Note	Group		Company	
		2007	2006	2007	2006
		£	£	£	£
Current assets					
Other debtors		3,064	121	-	-
Prepayments and accrued income		-	-	-	-
Cash at bank and in hand		11,380	2,551	11,380	2,551
		14,444	2,672	11,380	2,551
Creditors amounts falling due	2	(695,616)	(667,490)	(414,050)	(403,326)
Net current liabilities		(681,172)	(664,818)	(402,670)	(400,775)
Total assets less current liabilities		(681,172)	(664,818)	(402,670)	(400,775)
Creditors amounts falling due after more than one year	3	(1,153,408)	(1,162,816)	(1,153,408)	(1,162,816)
Net liabilities		(1,834,580)	(1,827,634)	(1,556,078)	(1,563,591)
Capital and reserves					
Called up share capital	5	170,733	130,733	170,733	130,733
Share premium account	5	2,391,031	2,391,031	2,391,031	2,391,031
Merger reserve	5	821,052	821,052	-	-
Profit and loss account	5	(5,217,396)	(5,170,450)	(4,117,842)	(4,085,355)
		1,834,580	(1,827,634)	(1,556,078)	(1,563,591)

These accounts are prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies

For the year ended 31 March 2007 the company was entitled to exemption under section 249A(1) of the Companies Act 1985. Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985. The directors acknowledge their responsibility for ensuring the company keeps accounting records which comply with section 221 of the Companies Act 1985, and 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 and loss for the financial year in accordance with the requirements of section 226 of the Companies Act 1985, and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company.

These financial statements were approved by the board of directors on 31 January 2008 and were signed on its behalf by

AP Stevens
 Director



Notes

1 Fixed asset investments

	Company 2007 £
<i>Shares in subsidiaries</i>	
At beginning and end of year	75,435
<i>Loan to subsidiaries</i>	
At beginning of year	3,205,645
Additions	14,199
At end of year	3,219,844
<i>Provision against loan and shares</i>	
At beginning of year	3,281,080
Charge for year	14,199
At end of year	3,295,279

In view of the uncertainty over the future of the project following rejection of the group's application to the Secretary of State for approval of the project via a hybrid bill, the directors have considered it to be prudent to provide in full against the company's investment in Central Railway Project Limited

The company's subsidiary undertakings at 31 March 2007 were

	<i>Country of registration</i>	<i>Paid up share capital</i>	<i>Percentage held</i>
Central Railway Project Limited (held by the Company)	England and Wales	15,087 Ordinary shares of £1 each	100%
Central Railway Property Limited	England and Wales	2 Ordinary shares of £1 each	100%

The principal activity of Central Railway Limited is to hold Central Railway Project Limited, which is developing and seeking approval for the construction and operation of a railway system between Northern England and Northern France via the Channel Tunnel. The other subsidiary undertaking was dormant during the year.

Notes (continued)

2 Creditors amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	184,211	184,981	-	-
Other creditors including taxation and social security	292,000	281,279	292,000	281,279
Accruals	219,405	201,230	122,050	122,047
	695,616	667,490	414,050	403,326

Other creditors includes an unsecured loan of £281,000 which accrues interest at 6.50%. This loan, and interest, is repayable at such time that the Group raises sufficient finance as a consequence of a favourable decision by the Government in respect of the project, or on demand should the company enter liquidation.

3 Creditors amounts falling due after one year

	Company & Group	
	2007	2006
	£	£
Loan stock	1,141,400	1,141,400
Other loans	-	11,000
Directors loans	12,008	10,416
	1,153,408	1,162,816

All loan stock bears no interest. The terms of conversion are 4 ordinary shares for every £1 of loan stock for the first £37,700 of loan stock issued, 2 ordinary shares for every £1 of loan stock for the next £99,700 of loan stock issued, a maximum of £0.80 (issue price) of ordinary shares for every £1 of loan stock for the next £171,500 of loan stock issued, a maximum of £0.50 (issue price) of ordinary shares for every £1 of loan stock for the next £20,000 issued, and a maximum of £0.80 (issue price) of ordinary shares for every £1 of loan stock for the next £321,000 issued.

4 Deferred taxation

A deferred tax asset has not been recognised under FRS 19 on the grounds that there is insufficient evidence that the asset will be recoverable.

Notes (continued)

The Group continues to make taxable losses and is not forecast to make sufficient profits for the foreseeable future

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Unrecognised deferred tax asset in respect of tax losses	1,191,257	1,181,736	223,173	214,840

Tax losses have been agreed with the Inland Revenue up to 2002

5 Called up share capital and reserves

	Company & Group	
	2007 £	2006 £
Authorised		
Ordinary shares of 1p each	500,000	500,000
Allotted, called up and fully paid		
Ordinary shares of 1p each	130,733	124,308

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Notes (continued)

Company	Share Capital	Merger reserve	Share premium	Profit & loss account	Total 2007
At beginning of year	130,733	-	2,391,031	(4,085,355)	(1,563,591)
Issue of Central Railway Ltd shares	40,000	-	-	-	40,000
Retained loss for the year before provisions	-	-	-	(18,288)	(18,288)
Additional loss for provisions for intercompany items	-	-	-	(14,199)	(14,199)
	170,733	-	2,391,031	(4,117,842)	1,556,078

Group

At beginning of year Issue of Central Railway Ltd shares	130,733	821,052	2,391,031	(5,170,450)	(1,627,634)
Issue of Central Railway Ltd shares	40,000	-	-	-	(40,000)
Retained loss for the year	-	-	-	(46,946)	(46,946)
At end of year	170,733	821,052	2,391,031	(5,217,396)	(1,834,580)

The share premium account is stated net of cumulative share issue costs of £25,418 (2006 £25,418)

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