

WENSLEYDALE RAILWAY PLC

**ANNUAL REPORT AND
CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2006**

Company registration number 4093919

Foss Place, Foss Islands Road, York YO31 7UJ



WENSLEYDALE RAILWAY PLC

INDEX	PAGE
CHAIRMAN'S STATEMENT	1 - 2
DIRECTORS' PROFILES	3
DIRECTORS' REPORT	4 - 6
STATEMENT OF DIRECTORS' RESPONSIBILITIES	7
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS	8 - 9
CONSOLIDATED PROFIT AND LOSS ACCOUNT	10
CONSOLIDATED AND COMPANY BALANCE SHEET	11
CONSOLIDATED CASH FLOW STATEMENT	12
NOTES TO THE ANNUAL REPORT AND ACCOUNTS	13 - 26

WENSLEYDALE RAILWAY PLC

CHAIRMAN'S STATEMENT

The benefits of the re-opened railway are increasingly being recognised as tens of thousands of rail passengers spend their money in local shops, cafes and B and Bs and visit the countryside without bringing their cars into the dale. The railway also brings new business to many local suppliers of goods, materials and services.

During the year ended 31 March 2006, regular passenger services were augmented by events that encourage families to use the railway: Day Out With Thomas week-ends in June and October and Santa Specials throughout December. Group bookings and occasional freight trains also made a contribution to trading activity. However these services were operated against a background of severe financial restraint as the Company sought to address the financial pressures of 2005.

Last year I drew the attention of shareholders to immediate cash flow difficulties which threatened to overwhelm the company. It was necessary to undertake an immediate re-appraisal of the Company's finances. Cost-cutting measures were put in place that allowed the railway to continue operating services and running special events whilst taking remedial action to effect recovery of the business. Since then, all departments have exercised severe restraint on expenditure, which included staff redundancies and redeployment in November 2005.

Inevitably the need for low cost (or no-cost) initiatives in maintaining, operating and marketing the railway has caused some practical difficulties. The Board wishes to express its warmest appreciation to all the staff and volunteers who have borne the brunt of these changes – for their understanding of the need for this policy and for their wholehearted support and good grace in implementing it. A comparison of the accounts for the years ending 31 March 2005 and 31 March 2006 shows the initial success of these efforts, with the full benefit of the substantial savings in staff costs to be realised in the year ending 31 March 2007.

In order to keep shareholders up-to-date during the exceptional year under review, information was sent on three occasions; namely notification on changes to the Board by the Company Secretary (May 2005); and a letter from the chairman to shareholders (July 2005). An innovation was a further letter to shareholders last November, immediately following the 2005 annual general meeting. This letter included provisional financial results for the first six months of the year; a forecast for the remainder of the year ending on 31 March 2006; and a trading forecast for the 12 months beginning 1 April 2006. Shareholders will see from the accounts in this report how closely the actual figures matched those projections.

Since the year under review ended on 31 March 2006, further developments have taken place and good progress has been made. A rolling work programme has made significant improvements to the Company's physical assets (track, trains and property); there have been pleasing developments in relationships with third parties (notably in the discussions with the county and district councils and Network Rail concerning the reinstatement of a rail link from the Wensleydale line at Castle Hills for the short distance into Northallerton station). We have welcomed several commercial charter trains (including the first steam train to Redmire since 1967) and an increasing number of Community Rail contacts. Occasional evening trains which have run between Leeming Bar and Castle Hills have provided the opportunity to brief local councillors and other passengers on plans for the extension of services. The railway has now moved well away from a position of 're-opening status' to 'operational status' with all the attendant day-to-day management and systems, controls and interfaces required round the clock to safeguard the asset, users and neighbours and to provide the advertised services. Three themes continue to dominate the Board's financial strategy: the need to drive down and control costs; to increase income from assets; and to increase revenue from passenger fares, catering and the shops; and to maintain rigorous cost control across all departments.

This year, considerable savings have been made in the costs of producing the Annual Report (fewer pages, lighter weight paper, no colour photographs) and thereby also to the cost of postage, in keeping with other measures taken during the year.

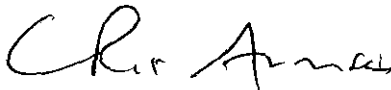
WENSLEYDALE RAILWAY PLC

CHAIRMAN'S STATEMENT YEAR ENDED 31 MARCH 2006 - continued

The Company has received generous financial support from the Wensleydale Railway Association (now Wensleydale Railway Association Ltd). In addition, the contribution made by the Association's 300 working volunteers is already legendary. This contribution to the reinstatement of the railway achieved external recognition in the spring when the Association received the Duke of York's Community Initiative Award. The Board offers its congratulations, as well as its thanks and appreciation, for the hard work over a long period of time which this prestigious regional award acknowledges. The Wensleydale Railway Trust has also given welcome support to several heritage and educational projects associated with the railway.

Early this year, during a review of the structure of the Company, directors and staff met off-site for two Away Days. The decisions that resulted from that consultation are being implemented in stages – including the recent appointment of an Acting Line Manager for four months until the end of the year - as we continue the team-building and training process across all functions. Since the last AGM, two directors have resigned (Keith Cameron and Mark Flather, for career reasons and retirement respectively), each of whom made a major contribution to the Company during their years of service. Two new directors have been appointed (Chris Leah and Ian Sesnan), both of whom have quickly become active and valued members of the Board; additional voluntary directors with experience in business (including property) and financial management are still needed. On August 1, Malcolm Lynch, a partner with Wrigleys Solicitors LLP, took over as Company Secretary, in succession to Andrew Lindsay, who oversaw the formation of the Company in 2000 and has been its Company Secretary throughout the first six years.

I should like to take this opportunity to record and express the deepest gratitude to my fellow-directors: Steve Deane, Phil Kirkland, Chris Leah and Ian Sesnan – and also to former directors Keith Cameron and Mark Flather – for their quite exceptional personal support during the year. In addition, each has made a specialist professional contribution of distinction, of great benefit to the Company and its shareholders (entirely without pay or the reimbursement of expenses). Thank you all.



Mrs Ruth Annison
Chairman.

25 September 2006

WENSLEYDALE RAILWAY PLC

DIRECTORS' PROFILES

Ruth Annison (Chairman and Director of Sales and Marketing)

Ruth Annison moved to Wensleydale in 1975 since when she has been a partner in the manufacturing firm W.R. Outhwaite & Son, Ropemakers of Hawes. She was the founder and chairman of the Settle-Carlisle Railway Business Liaison Group ("SCRBLG"), recently reconstituted as the Settle-Carlisle Enterprise Network Limited ("SCeNe") and was instrumental in the formation of the Wensleydale Railway project in 1990.

Phil Kirkland I.Eng A.M.I.C.E. (Director of Engineering)

Phil Kirkland is the Area Business Manager within the GrantRail Management Team. He has 33 years of rail engineering experience gained from his career with British Rail and a number of post-privatisation contractors. He is a Fellow and Vice President (1999 and 2000) of the Permanent Way Institution.

Steve Deane (Director of Mechanical Engineering and Compliance)

Steve Deane is a Chartered Mechanical Engineer with over 30 years experience of maintenance, procurement and safety aspects in the aerospace and other transport-related fields. He holds an MSc from Brunel University and has worked on the Wensleydale Railway project for 12 years. Amongst his other duties he manages the relationship with Parry Associates.

Chris Leah (Safety Director - appointed as Director 1.11.05)

Chris Leah is a railway professional, having worked for 38 years in the industry. After holding a number of senior operational and business positions within British Rail, Chris became Operations and Safety Director on the Board of Railtrack plc and Safety and Compliance Director on the Board of Network Rail. He currently holds the office of Chairman of the Institution of Railway Operators.

Ian Sesnan (Non-executive Director - appointed as Director on 11.09.06)

Ian Sesnan runs his own regeneration consultancy, working mainly on community, heritage and environmental projects. He has 16 years management experience in Local Government, as well as experience working for Central Government (Scottish Office) and the Private Sector (as an Associate Director of Civic Regeneration Ltd). Much of Ian's work relates to social enterprises, including advising enterprises on behalf of the Adventure Capital Fund and the Development Trusts Association. He is Vice-Chair of an NHS Primary Care Trust, chairing the Audit Committee; also a visiting lecturer at the University of Westminster and a Trustee of Kings College Hospital Charitable Trust.

WENSLEYDALE RAILWAY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and the annual report and accounts of the company for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the development and operation of the Wensleydale Railway, between *Leeming Bar and Redmire*.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached annual report and accounts.

The directors have not recommended a dividend.

BUSINESS REVIEW

Our Chairman's statement on pages 1 and 2 provides a comprehensive review of the performance of the business during the year and the steps that are continuing to be taken to ensure the continuing operation of the Railway.

Our principal risk relates to the continuing funding of the Railway. The financial support mentioned in the Chairman's Statement has resulted in the company returning to a net current asset position at the balance sheet date. The cost cutting measures, in place, have reduced the losses of the group for the year.

While passenger numbers are up by 12,500 in the calendar year, the continuing support of the shareholders and volunteers will be needed to ensure the continuing existence of the Railway in the future.

A successful 2006 summer season has occurred and with the full year's effects of staff savings, the directors are forecasting that income and expenditure in the trading account should be in balance by March 2007.

The directors note the auditor's report and that the Disclaimer of Opinion present in the 2005 report has been replaced by an "emphasis of matter" paragraph which does not represent a qualification. The directors consider that this reflects the progress the company has made in managing its finances and that further improvements will be apparent in the accounts to 31 March 2007 when the full extent of the restructuring in 2005 is felt.

WENSLEYDALE RAILWAY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 March 2006	At 1 April 2005 or later date of appointment
C R Annison	Ordinary £1 Shares	8,011	11
	Ordinary £1 'A' Shares	-	8,000
S T Deane	Ordinary £1 Shares	800	800
P Kirkland			
C R Leah - appointed 1.11.2005			
I Sesnan - appointed 11.9.2006			
K G Cameron - resigned 31.10.2005			
S A Handley - resigned 17.05.2005			
C J Brown - resigned 07.07.2005			
M W D Flather - resigned 17.10.2005			
D M Bentley - resigned 16.05.2005			

WENSLEYDALE RAILWAY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

SHARE CAPITAL

During the year the company offered its shares to the public. At 31 March 2006 £2,012,818 of share capital was in issue.

POLICY ON THE PAYMENT OF CREDITORS

The company's policy is to settle terms and conditions of payments with suppliers . It is company policy that payments are made in accordance with those terms and conditions, provided that it complies with all its obligations in this regard.

Trade creditor days of the company for the year ended 31 March 2006 were 53 days based on the ratio of company trade creditors at the year end to the amounts invoiced during the year by trade creditors.

AUDITORS

A resolution to re-appoint JWPCreers as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Leeming Bar Station,
Leases Road,
Leeming Bar,
Northallerton,
North Yorkshire.
DL7 9AR

Signed by order of the directors



M J LYNCH
Company Secretary

Approved by the directors on 25 September 2006

WENSLEYDALE RAILWAY PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare an annual report and accounts for each financial year which give a true and fair view of the state of affairs of the group and company at the end of the year and of the profit or loss for the year then ended. In preparing those annual report and accounts, the directors are required to:

- select suitable accounting policies, as described on pages 13 and 14, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the annual report and accounts; and
- prepare the annual report and accounts 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 annual report and accounts comply with the Companies Act 1985. The directors 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WENSLEYDALE RAILWAY PLC

We have audited the group and parent company financial statements (the "financial statements") of Wensleydale Railway plc for the year ended 31 March 2006 which comprise of the group profit and loss account, the group and company balance sheets, the group cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out on pages 13 and 14.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the annual report and accounts in accordance with relevant legal and regulatory requirements and International Auditing Standards (UK and Ireland).

We report to you our opinion as to whether the annual report and accounts 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 *Directors' Report is not consistent with the annual report and accounts, 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 information specified by law regarding directors' remuneration and transactions with the company is not disclosed.*

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Auditing Standards (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 annual report and accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the annual report and accounts, and of whether the accounting policies are appropriate to the group'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 annual report and accounts are free from material misstatement, whether caused by fraud or other irregularity or error.

WENSLEYDALE RAILWAY PLC

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 MARCH 2006 - continued**

BASIS OF AUDIT OPINION continued

In forming our opinion we also evaluated the overall adequacy of the presentation of 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, of the state of the company's and group's affairs at 31 March 2006 and of the loss of the group for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £197,061 (2005 £624,610) during the year ended 31 March 2006 and at that date the group's current liabilities exceeded its current assets by £87,270 (2005 £187,487). These conditions along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.



JWPCreers

Chartered Accountants and
Registered Auditors

Foss Place
Foss Islands Road
York
YO31 7UJ

25 September 2006

WENSLEYDALE RAILWAY PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Note	Total 2006 £	Total 2005 £
Turnover	2	403,240	404,549
Cost of sales		(329,959)	(471,849)
		<hr/>	<hr/>
Gross profit/(loss)		73,281	(67,300)
		<hr/>	<hr/>
Administrative expenses		213,633	501,082
Amortisation of goodwill		33,517	33,517
Other operating charges		44,153	46,007
Other operating income		(51,765)	(48,582)
		<hr/>	<hr/>
		239,538	532,024
		<hr/>	<hr/>
Operating (loss)/profit	3	(166,257)	(599,324)
Interest receivable		252	5,045
Interest payable	7	(31,066)	(30,573)
		<hr/>	<hr/>
(Loss) on ordinary activities before taxation		(197,071)	(624,852)
Taxation	4	-	-
		<hr/>	<hr/>
(Loss) after taxation		(197,071)	(624,852)
Minority interest		(10)	(242)
		<hr/>	<hr/>
Retained (loss) for the year		(197,061)	(624,610)
Balance brought forward		(1,026,094)	(401,484)
		<hr/>	<hr/>
Balance carried forward		(1,223,155)	(1,026,094)
		<hr/>	<hr/>

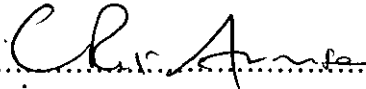
The notes on pages 13 to 26 form part of these annual report and accounts

WENSLEYDALE RAILWAY PLC

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 31 MARCH 2006

	Note	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
FIXED ASSETS					
Goodwill	8	234,523	-	268,040	-
Tangible assets	9	1,084,743	592,243	1,127,351	624,060
Investments	10	-	97,252	-	97,252
		<hr/>	<hr/>	<hr/>	<hr/>
		1,319,266	689,495	1,395,391	721,312
CURRENT ASSETS					
Stock	11	41,763	41,763	37,015	37,015
Debtors	12	33,050	362,279	97,592	386,378
Cash at bank		5,376	2,853	30,717	29,014
		<hr/>	<hr/>	<hr/>	<hr/>
		80,189	406,895	165,324	452,407
CREDITORS: Amounts falling due within one year	13	167,459	310,162	352,811	463,503
		<hr/>	<hr/>	<hr/>	<hr/>
Net current (liabilities)/assets		(87,270)	96,733	(187,487)	(11,096)
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,231,996	786,228	1,207,904	710,216
CREDITORS: Amounts falling due after more than one year	14	438,563	101,617	449,563	110,074
		<hr/>	<hr/>	<hr/>	<hr/>
		793,433	684,611	758,341	600,142
		<hr/>	<hr/>	<hr/>	<hr/>
CAPITAL AND RESERVES					
Share capital	19	2,012,818	2,012,818	1,780,655	1,780,655
Profit and loss account	20	(1,223,155)	(1,328,207)	(1,026,094)	(1,180,513)
Minority interest		3,770	-	3,780	-
		<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' Funds	21	793,433	684,611	758,341	600,142
		<hr/>	<hr/>	<hr/>	<hr/>

These annual report and accounts were approved by the directors on 25 September 2006 and are signed on their behalf by:

..........
C R Annison

The notes on pages 13 to 26 form part of these annual report and accounts

WENSLEYDALE RAILWAY PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 £	2005 £
Net cash (outflow)/inflow from operating activities	22	(187,414)	193,330
Returns on investments and servicing of finance	22	(30,814)	(25,528)
Taxation		-	(2,215)
Capital expenditure and financial Investment	22	-	(391,313)
		<hr/>	<hr/>
Cash outflow before financing		(218,228)	(225,726)
Financing	22	194,572	342,942
		<hr/>	<hr/>
(Decrease)/Increase in cash	22	(23,656)	117,216
		<hr/>	<hr/>

The notes on pages 13 to 26 form part of these annual report and accounts

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES

Basis of accounting - Going Concern

The directors have since November 2005 undertaken procedures to generate new sources of income and control levels of expenditure. These efforts have enabled the group to meet its liabilities when they fall due. These procedures are being continued and new opportunities for further funding and cost reduction are planned for the foreseeable future.

The financial statements have been prepared on the going concern basis which assumes that the company and its subsidiaries will continue in operational existence for the foreseeable future.

The validity of this assumption depends upon the success of the directors in generating additional income from new and existing sources and continuing the tight control of costs established since November 2005.

Whilst the directors presently cannot be certain as to the outcome of the matters discussed above, they believe *the group is in a much stronger financial position than it was twelve months ago and it is appropriate for the financial statements to be prepared on a going concern basis.*

Basis of Consolidation

The consolidated profit and loss account and balance sheet includes the financial statements of the company and its subsidiary undertakings. No profit and loss is presented for the company as permitted by Section 230 of the Companies Act 1985. The loss dealt with in the accounts of the company for the year ended 31 March 2006 was £147,694.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the Year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Goodwill

Goodwill has arisen on the acquisition of the companies. This records the cost of acquisition less the fair value of the assets at acquisition.

Amortisation - 10 years

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Station Improvements	- 2.5% reducing balance
Track and rail infrastructure	- 2% straight line
Plant and equipment	- 10% reducing balance and 20% - 25% straight line
Freehold property	- 2% straight line

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES continued

Stocks

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2006 £	2005 £
United Kingdom	403,240	404,549

3. OPERATING PROFIT

Operating profit is stated after charging:

	2006 £	2005 £
Depreciation	42,608	45,043
Loss on disposal of fixed assets	-	-
Auditors' remuneration - as auditors	10,000	8,900
Operating lease costs:		
Land and buildings	1,300	697
Plant and equipment	-	-
Share issue costs	-	37,973

The company has spent a total of £nil (2005 £37,973) on the issue of the ordinary share capital, which comprised postage, printing and administration costs.

4. TAXATION

	2006 £	2005 £
Current tax:		
UK corporation tax based on the results for the year	-	-

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

5. PARTICULARS OF EMPLOYEES

Group and Company

The average number of staff, taking account of restructuring in 2005, employed during the financial year amounted to:

	2006 Number	2005 Number
Management and administration	3	7
Sales staff	4	6
Railway operations and maintenance	6	6
	<hr/>	<hr/>
	13	19
	<hr/>	<hr/>

The aggregate payroll costs of the above were:

	2006 £	2005 £
Wages and salaries	180,256	303,805
Social security costs	14,587	24,315
	<hr/>	<hr/>
	194,843	328,120
	<hr/>	<hr/>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2006 £	2005 £
Emoluments receivable	-	50,000
Compensation for loss of office	-	16,000
	<hr/>	<hr/>

7. INTEREST PAYABLE

	2006 £	2005 £
Interest payable on bank and other borrowings	31,066	30,573
	<hr/>	<hr/>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

8. GOODWILL

	2006 £	2005 £
Balance at 1 April 2005	268,040	313,228
Additions in the year	-	(11,671)
Amortised in the year	(33,517)	(33,517)
	<hr/>	<hr/>
Balance at 31 March 2006	234,523	268,040
	<hr/>	<hr/>

9. TANGIBLE FIXED ASSETS - GROUP

	Freehold property £	Station improvements £	Track and rail infrastructure £	Plant and equipment £	Total £
COST					
At 1 April 2005	537,717	143,870	361,184	176,535	1,219,306
Additions	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	537,717	143,870	361,184	176,535	1,219,306
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION					
At 1 April 2005	38,010	7,626	9,469	36,850	91,955
Charge for the year	10,754	3,353	7,224	21,277	42,608
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	48,764	10,979	16,693	58,127	134,563
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE					
At 31 March 2006	488,953	132,891	344,491	118,408	1,084,743
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	499,707	136,244	351,715	139,685	1,127,351
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Hire Purchase Agreements

Included within the net book value of £1,084,743 is £20,163 (2005 £22,685) relating to assets held under hire purchase agreements. The depreciation charged to the annual report and accounts for the year in respect of such assets amounted to £2,522 (2005 £2,762).

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

9. TANGIBLE FIXED ASSETS - COMPANY

	Station improvements £	Track and rail infrastructure £	Plant and equipment £	Total £
COST				
1 April 2005	140,121	361,184	176,535	677,840
Additions	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	140,121	361,184	176,535	677,840
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 April 2005	7,461	9,469	36,850	53,780
Charge for the year	3,316	7,224	21,277	31,817
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	10,777	16,693	58,127	85,597
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 March 2006	129,344	344,491	118,408	592,243
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	132,660	351,715	139,685	624,060
	<hr/>	<hr/>	<hr/>	<hr/>

Hire Purchase Agreements

Included within the net book value of £592,243 is £20,163 (2005 £22,685) relating to assets held under hire purchase agreements. The depreciation charged to the annual report and accounts for the year in respect of such assets amounted to £2,522 (2005 £2,762).

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

10. INVESTMENTS - COMPANY

	WRC(P) Limited £	TWRC Limited £	Total £
COST			
At 1 April 2005	2	97,250	97,252
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2006	2	97,250	97,252
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE AT 31 MARCH 2006	2	97,250	97,252
	<hr/>	<hr/>	<hr/>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company Subsidiary undertaking	Country of registration or incorporation	Shares held Class	%
TWRC Limited	England and Wales	Ordinary	96
WRC(P) Limited	England and Wales	Ordinary	100
WRC (Aysgarth) Sales Limited	England and Wales	Ordinary	96

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
TWRC Limited	To support the development and expansion of the Wensleydale Railway.
WRC(P) Limited	The rental of property.
WRC (Aysgarth) Sales Limited	The retail of railway memorabilia and tourist gifts. The company however has not traded since August 2003 when its activities were taken over by Wensleydale Railway plc and therefore the company is in the process of being struck off

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

11. STOCKS

Group and Company

	2006 £	2005 £
Finished goods	41,763	37,015

12. DEBTORS

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Trade debtors	15,838	15,838	26,383	26,383
Amounts owed by group undertakings	-	331,119	-	290,814
VAT recoverable	6,534	6,534	26,526	26,246
Other debtors	2,288	2,288	35,935	35,935
Prepayments and accrued income	8,390	6,500	8,748	7,000
	<u>33,050</u>	<u>362,279</u>	<u>97,592</u>	<u>386,378</u>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

13. CREDITORS: Amounts falling due within one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank loans and overdrafts	5,243	356	6,809	-
Trade creditors	53,313	52,019	102,225	98,452
Amounts owed to group undertakings	-	197,958	-	207,394
PAYE and social security	1,015	1,015	16,298	16,298
VAT	413	-	261	-
Hire purchase agreements	6,441	6,441	6,441	6,441
Corporation tax	-	-	-	-
Debenture loans	8,700	-	8,700	-
Other loans	-	-	29,167	-
Directors current accounts	8,310	-	8,310	-
Other creditors	48,143	34,816	122,273	107,374
Accruals and deferred income	35,881	17,557	52,327	27,544
	<u>167,459</u>	<u>310,162</u>	<u>352,811</u>	<u>463,503</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank loans and overdrafts	5,243	356	6,809	-
Other loans	-	-	29,167	-
Debenture loans	8,700	-	8,700	-
	<u>14,943</u>	<u>356</u>	<u>35,676</u>	<u>-</u>

On 29 December 2003 HSBC issued a debenture to secure monies owed to them. It agreed a fixed and floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital buildings, fixtures, fixed plant and machinery. Other loans are secured against the freehold property of the group.

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

14. CREDITORS: Amounts falling due after more than one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank loans and overdrafts	297,646	-	300,189	-
Debenture loans	39,300	-	39,300	-
Hire purchase agreements	9,784	9,784	15,784	15,784
Deferred income	91,833	91,833	94,290	94,290
	<hr/>	<hr/>	<hr/>	<hr/>
	438,563	101,617	449,563	110,074
	<hr/>	<hr/>	<hr/>	<hr/>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank loans and overdrafts	297,646	-	300,189	-
Debenture loans	39,300	-	39,300	-
	<hr/>	<hr/>	<hr/>	<hr/>

Included within creditors falling due after more than one year is an amount of £273,646 (2005 £276,776) in respect of liabilities which fall due for payment after more than five years from the balance sheet date.

15. MATURITY OF DEBT

Creditors include finance capital which is due for repayment as follows:-

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Amounts payable				
In one year or less	4,877	-	4,758	-
In more than one year but not more than two years	4,950	-	5,160	-
In more than two years but not more than five years	19,050	-	18,253	-
In more than five years	273,646	-	276,776	-
	<hr/>	<hr/>	<hr/>	<hr/>
	302,523	-	304,947	-
	<hr/>	<hr/>	<hr/>	<hr/>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

16. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2006 there were annual commitments under non-cancellable operating leases as set out below:

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Land and buildings				
Operating leases which expire:				
Within one year	1,600	1,600	1,600	1,600
After more than five years	35,200	83,200	35,200	83,200
	<hr/>	<hr/>	<hr/>	<hr/>
	36,800	84,800	36,800	84,800
	<hr/>	<hr/>	<hr/>	<hr/>

17. RELATED PARTY TRANSACTIONS

During the year the company entered into the following transactions with related parties:-

TWRC Limited repaid Mrs Bentley's (D M Bentley's wife) loan in full in the year.

Included in the balance sheet are the following amounts owed to/from related parties:-

Creditors and accruals

Directors' current account £8,310 (2005 £8,310)

Included in other creditors are the following loans due to directors:

R Annison £20,000 (2005 £20,000)

18. FINANCIAL RISK MANAGEMENT POLICIES

The group holds a financial instrument in order to finance its ownership of the freehold land and buildings. The interest rate is charged at 3.4% over the base rate.

19. SHARE CAPITAL

Authorised share capital:

	2006 £	2005 £
9,950,000 ordinary shares of £1 each	9,950,000	9,950,000
50,000 ordinary 'A' shares of £1 each	50,000	50,000
	<hr/>	<hr/>
	10,000,000	10,000,000
	<hr/>	<hr/>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

19. SHARE CAPITAL continued

Allotted, called up and fully paid:

	No	2006 £	No	2005 £
Ordinary shares of £1 each	2,012,818	2,012,818	1,730,655	1,730,655
Ordinary 'A' shares of £1 each	-	-	50,000	50,000
	<u>2,012,818</u>	<u>2,012,818</u>	<u>1,780,655</u>	<u>1,780,655</u>

On 23 November 2000 the company offered 2,500,000 ordinary shares of £1 each at par and on 19 April 2005 the company offered 2,750,000 ordinary shares of £1 each at par for public subscription.

During the year 232,163 ordinary shares of £1 each were issued and fully paid.

At 31 March 2006, 2,012,818 had been issued and fully paid.

These shareholders will be entitled to dividends (subject to usual legal restraints). Other benefits will be dependent on the level of subscription including travel and dining benefits.

The directors at the time subscribed for the opening shares in the company partially paying for them at subscription at £0.25 per share. These shares were converted to A ordinary shares on 13 October 2003. During the year the A shares were all fully paid and their rights became on a par with ordinary shares.

20. STATEMENT OF MOVEMENTS ON RESERVES
GROUP

	Profit and loss account £
Balance at 1 April 2005	(1,026,094)
Retained loss for the year	(197,061)
	<u>(1,223,155)</u>
Balance at 31 March 2006	<u>(1,223,155)</u>

COMPANY

	Profit and loss account £
Balance at 1 April 2005	(1,180,513)
Retained loss for the year	(147,694)
	<u>(1,328,207)</u>
Balance at 31 March 2006	<u>(1,328,207)</u>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

GROUP

	2006 £	2005 £
Loss for the financial year	(197,061)	(624,610)
New equity share capital	232,163	404,350
Minority interest	(10)	(287)
	<hr/>	<hr/>
Net increase/(reduction) in funds	35,092	(220,547)
Opening shareholders equity funds	758,341	978,888
	<hr/>	<hr/>
Closing shareholders equity funds	793,433	758,341
	<hr/>	<hr/>

COMPANY

	2006 £	2005 £
Loss for the financial year	(147,694)	(569,904)
New equity share capital subscribed	232,163	404,350
	<hr/>	<hr/>
Net increase/(reduction) in funds	84,469	(165,554)
Opening shareholders equity funds	600,142	765,696
	<hr/>	<hr/>
Closing shareholders equity funds	684,611	600,142
	<hr/>	<hr/>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

22. NOTES TO THE STATEMENTS OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT

	2006 £	2005 £
Operating (loss)/profit	(166,257)	(599,324)
Depreciation	42,608	45,043
Amortisation of goodwill	33,517	45,143
(Increase) in stocks	(4,748)	(8,353)
Decrease in debtors	64,542	676,947
(Decrease)/Increase in creditors	(157,076)	33,874
Net cash (outflow)/inflow from operating activities	(187,414)	193,330

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2006 £	2005 £
Interest received	252	5,045
Interest paid	(31,066)	(30,573)
Net cash outflow from returns on investments and servicing of finance	(30,814)	(25,528)

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS

	2006 £	2005 £
Payments to acquire tangible fixed assets	-	(391,313)
Receipts from sale of fixed assets	-	-
Net cash outflow for capital expenditure and financial investment	-	(391,313)

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

22. NOTES TO THE STATEMENTS OF CASH FLOWS continued

FINANCING

	2006 £	2005 £
Issue of equity share capital	232,163	404,350
Repayment of bank loans	(2,424)	(4,600)
Repayment of debenture loans	-	(8,200)
Repayment of other loans	(29,167)	(70,833)
Hire purchase agreements	(6,000)	22,225
	<hr/>	<hr/>
Net cash inflow from financing	194,572	342,942
	<hr/>	<hr/>

RECONCILIATION OF NET CASH FLOW

	2006 £	2005 £
Increase/(Decrease) in cash period	(23,656)	117,216
Movement on bank and debenture loans	31,225	83,633
	<hr/>	<hr/>
Movement in net debt	7,569	200,849
Net funds at 1 April 2005	(353,448)	(554,297)
	<hr/>	<hr/>
Net funds at 31 March 2006	(345,879)	(353,448)
	<hr/>	<hr/>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2005 £	Cash flows £	At 31 March 2006 £
Net cash:			
Cash in hand and at bank	30,717	(25,341)	5,376
Overdrafts	(2,051)	1,685	(366)
	<hr/>	<hr/>	<hr/>
	28,666	(23,656)	5,010
Debt due within one year	(42,625)	28,682	(13,943)
Debt due after one year	(339,489)	2,543	(336,946)
	<hr/>	<hr/>	<hr/>
Net debts	(353,448)	7,569	(345,879)
	<hr/>	<hr/>	<hr/>