

2071143

**Report of the Directors and
Financial Statements
for the Year Ended 31 December 1998
for
Peak Rail plc**



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for the Year Ended 31 December 1997**

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**Company Information
for the Year Ended 31 December 1998**

DIRECTORS:

S E Barratt
G Bennett
J Clegg
A Lewis
T J Oaks
R A Raynor
J T Statham
M K Thomas
D.J. White

SECRETARY:

R Horne

REGISTERED OFFICE:

Matlock Station
Matlock
Derbyshire
DE4 3NA

REGISTERED NUMBER:

2071143

AUDITORS:

Ainleys
Chartered Accountants
Registered Auditors
324 Manchester Road
West Timperley
Altrincham
Cheshire WA14 5NB

**Report of the Chairman
for the Year Ended 31 December 1998**

I am pleased to be able to report that in spite of difficult trading conditions the company has been able to improve its performance achieving an 8.3% increase in income from £169,215 to £183,293. This was achieved by a good all round improvement in all departments particularly the Palatine Restaurant and Buffet car sales which have become very popular. The Palatine Restaurant car service has now achieved a level of recognition that many local restaurants strive for and thanks go to the hard work of all the staff involved. As part of the overall strategy for these services they will continue to be expanded targeting the Corporate and Wedding markets.

Stringent controls continue to be maintained over our expenditure and I am grateful to all those who, under considerable protest at times (!) continue to trim their requirements to essential and safety critical items. Further saving in expenditure continue to be constrained by increase in our overheads eg. Rent and rates over which we have no control over.

This is the second full year of operation over a viable length of line (Matlock to Rowsley) and services have now settled down to a level that seems to match the traffic available. We continue to retain the flexibility of altering the service at short notice, if required, to meet sudden changes in patterns of demand, which closely monitored by our Retail Director Sheila Barratt.

The year ended on a particularly high note when we were selected by the Health and Safety executive to undertake a series of impact tests involving Mark 1 coaches. My previous commercial experience with Adtranz in Derby was put to particularly good use to clinch this contract on favourable terms. Not only did we achieve valuable extra income of some £40,000 but also we were able to demonstrate the considerable expertise available within the company to undertake such work. It is hoped the considerable publicity we achieved will assist in obtaining further work of this nature, indeed, the Health and Safety executive have already indicated they may wish to undertake another impact test in the New Year.

Some of you may be aware of construction activity taking place adjacent to our site at Buxton. I can inform that this is in relation to a new supermarket being constructed by Aldi Ltd, which is being built on land previously, occupied by the Trent Services Bus Garage. As part of development we were approached to release some of our land for construction of a retailing wall and car park. I can confirm that subsequent negotiations were successfully concluded resulting in the land being sold for £130,425. I wish to take this opportunity to assure you that prior to agreeing this sale a detailed review was undertaken to ensure future train services could still be operated into/from this site.

I am grateful to Arthur Dudson for the work he has done in evaluating the remaining area of land and drawing out the track layout and station that can be accommodated. This shows that we have sufficient land to continue to provide heritage train services from this site in the future. For those of you who are interested details of the layout proposed will be displayed at the meeting.

The financial effects of the above will be reflected in next years accounts but I am able to tell you that the effect on this additional income will enable the company to clear the outstanding debts, put money aside for the Binns court case and put money into reserves against future emergencies especially locomotive maintenance. The company will therefore be able to start 1999 in a strong financial position.

You will note from the accounts that the legal dispute with Mr & Mrs Binns continues. However, following mediation in Leeds in November, I am hopeful that the case can be settled "out of court" for a sum considerably less than the £20,000 amount which could be due. Indeed an offer of £13,000 in full and final settlement has been made, to which, at the year end we were still awaiting a reply.

Discussions continued throughout the year with representatives of the local councils and Tony Marchington into proposals for the development and re-opening of the line between Matlock and Buxton, the costs for which Tony Marchington continued to fund. This initial work was completed in the summer with the production of a draft business plan. Details of the plan were later passed to railtrack who had expressed an interest, in previous discussions, in the possible re-opening of the route. Due to management charges within railtrack these discussions were postponed until next year.

Peak Rail plc

**Report of the Chairman
for the Year Ended 31 December 1998**

I must stress that the discussions so far held within Railtrack are only at an exploratory stage enabling each party to understand the planning requirements which have led to the increased interest in seeing the line reopened. Thus the by which the reconstruction of the railway, and its financing, can be achieved remains under active discussion. It is hoped that during 1999 a clearer idea of how the project can move forward will become apparent.

During 1999 work continued on the development of the locomotive shed for Rowsley, the design of the new Matlock station and the evaluation of the work required to enable two-train operation. By the end of the year the steelwork for the locomotive shed had been received and preparations on the site had reached a stage where it had been possible to operate a light engine onto No.1 pit road. Work on preparing the rest of the shed site continued to the year end by which time work on clearing out all four pit roads was nearing completion and trackwork was also approaching completion.

Also by the end of the year it was becoming clear that the new Matlock Station project was at long last beginning to see light of day and it was expected Sainsbury's, on whom the project depends, would receive planning permission early in the new year.

Work on two train operation had been deferred until the work on the locomotive shed is complete and a start has been made at Matlock.

Once again my thanks must go to all the shareholders and volunteers who have continued to support the development of Peak Rail - without whom it would not be possible to purchase the locomotive shed let alone the hundred and one other items we continually need to maintain and develop the railway. To those active volunteers who continue to turn up in all weathers to do all manner of work I also extend the company's thanks. Please keep up the good work. I would also place on record my thanks to the volunteer operating staff whose valuable work continues to ensure the smooth operation of the railway.

As we enter 1999 I believe the Company can look forward to a secure and exciting future and for the first time in its history being free from the burden of debt from historic loans that have been made to the Company. Many thanks to all those who have supported the Company in this way.

I remain convinced that the policies now being adopted by the board will ensure that Peak Rail will become one of the foremost, if not the best, heritage railway in the country.

Peak Rail plc

Report of the Directors for the Year Ended 31 December 1998

The directors present their report with the financial statements of the company for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of provision and management of railway and other transport services including retail trading and the provision of catering services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 1998.

DIRECTORS

The directors during the year under review were:

S E Barratt	
G Bennett	
J Clegg	
R A Grange	- resigned 25.04.98
A Lewis	- appointed 24.04.98
T J Oaks	
R A Raynor	
J T Statham	
M K Thomas	
D.J. White	

The beneficial interests of the directors holding office on 31 December 1998 in the issued share capital of the company were as follows:

	31.12.98	1.1.98 or date of appointment if later
Ordinary £1.00 shares		
S E Barratt	1,977	1,947
G Bennett	166	166
J Clegg	1,000	-
A Lewis	275	25
T J Oaks	1,326	1,326
R A Raynor	1,380	786
J T Statham	1,000	100
M K Thomas	50	50
D.J. White	290	252

Peak Rail plc

**Report of the Directors
for the Year Ended 31 December 1998**

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 or loss of the company for that period. In preparing those financial statements, the directors are required to

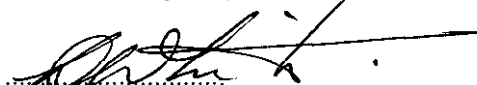
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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

AUDITORS

The auditors, Ainleys, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


- DIRECTOR

Dated: 23rd April 1999

Peak Rail plc

**Report of the Auditors to the Shareholders of
Peak Rail plc**

We have audited the financial statements on pages five to twelve which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page seven.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ainleys
Chartered Accountants
Registered Auditors
324 Manchester Road
West Timperley
Altrincham
Cheshire

WA14 5NB

Dated: 10th July 1999

Peak Rail plc

**Profit and Loss Account
for the Year Ended 31 December 1998**

		<u>31.12.98</u>	<u>31.12.97</u>
	Notes	£	£
TURNOVER	2	183,293	169,215
Cost of sales		<u>91,457</u>	<u>83,241</u>
GROSS PROFIT		91,836	85,974
Administrative expenses		<u>142,720</u>	<u>124,050</u>
		(50,884)	(38,076)
Other operating income		<u>38,423</u>	<u>33,679</u>
OPERATING LOSS	4	(12,461)	(4,397)
Interest receivable and similar income		<u>47</u>	<u>11,453</u>
		(12,414)	7,056
Interest payable and similar charges	5	<u>4,787</u>	<u>5,856</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(17,201)	1,200
Tax on (loss)/profit on ordinary activities	6	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(17,201)	1,200
Deficit brought forward		<u>(126,359)</u>	<u>(127,559)</u>
DEFICIT CARRIED FORWARD		<u>£(143,560)</u>	<u>£(126,359)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year.

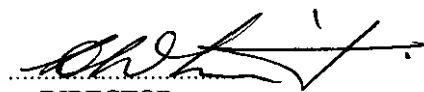
The notes form part of these financial statements

Peak Rail plc

**Balance Sheet
31 December 1998**

		<u>31.12.98</u>		<u>31.12.97</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		808,202		816,030
CURRENT ASSETS:					
Stocks	8	7,431		12,108	
Debtors	9	9,175		8,405	
Cash at bank		<u>886</u>		<u>1,524</u>	
		17,492		22,037	
CREDITORS: Amounts falling due within one year	10	<u>93,300</u>		<u>102,255</u>	
NET CURRENT LIABILITIES:			<u>(75,808)</u>		<u>(80,218)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			732,394		735,812
CREDITORS: Amounts falling due after more than one year	11		(34,622)		(36,630)
ACCRUALS AND DEFERRED INCOME:	14		<u>(226,825)</u>		<u>(235,003)</u>
			<u>£470,947</u>		<u>£464,179</u>
CAPITAL AND RESERVES:					
Called up share capital	15		574,460		551,491
Revaluation reserve	16		40,047		39,047
Profit and loss account			<u>(143,560)</u>		<u>(126,359)</u>
Shareholders' funds	17		<u>£470,947</u>		<u>£464,179</u>

ON BEHALF OF THE BOARD:


- DIRECTOR

Approved by the Board on 23rd April 1999

The notes form part of these financial statements

Peak Rail plc

**Cash Flow Statement
for the year ended 31 December 1998**

		<u>31.12.98</u>		<u>31.12.97</u>	
	Notes	£	£	£	£
Net cash inflow/(outflow) from operating activities			17,278		13,736
Returns on investments and servicing of finance					
Interest Received		44		11,543	
Interest Paid		<u>(4787)</u>		<u>(5,856)</u>	
Net cash inflow/(outflow) from returns on investments and servicing of finance			(4,743)		5,597
Taxation					
Corporation Tax paid		<u>-</u>		<u>-</u>	
Tax paid			-		-
Investing Activities					
Purchase of tangible fixed assets		(26,243)		(26,278)	
Sale of tangible fixed assets		<u>-</u>		<u>-</u>	
Net cash outflow from Investing activities			<u>(26,243)</u>		<u>(26,278)</u>
Net cash outflow before financing			(13,708)		(6,945)
Financing					
New Loan		3,568		19,530	
Loan Repayments		(7,352)		(7,943)	
Cash Receipt re Share Issue		<u>22,969</u>		<u>18,146</u>	
Net cash inflow from financing			<u>19,185</u>		<u>29,733</u>
Increase/(decrease) in cash and cash equivalents			<u>5,477</u>		<u>22,788</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statements
for the Year Ended 31 December 1998**

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	31.12.98	31.12.97
	£	£
Operation Loss	(12,461)	(4,398)
Depreciation charges	35,072	37,839
Profit on sale of fixed assets	-	-
Decrease/(Increase) in Stocks	4677	(1,311)
Decrease in Debtors	(770)	9,358
Decrease in Creditors	(1,062)	(19,574)
Revaluation Transfer	(8,178)	(8,178)
	<u>£ 17,278</u>	<u>£ 13,736</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£
Year ended 31 December 1998	
Balance at 1 January 1998	(10,796)
Net Cash Inflow	<u>5,477</u>
Balance at 31 December 1998	<u>£ (5,319)</u>
Year ended 31 December 1997	
Balance at 1 January 1997	(33,584)
Net Cash Inflow	<u>21,882</u>
Balance at 31 December 1997	<u>£(10,796)</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31 December 1998**

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

Year ended 31 December 1998

	31.12.98 £	01.01.98 £	Change in Year
Cash at bank and in hand	886	1,524	(638)
Bank Overdrafts	(6,205)	(12,320)	6,115
	<u>£(5,319)</u>	<u>£(10,796)</u>	<u>5,477</u>

Year ended 31 December 1997

	31.12.97 £	01.02.97 £	Change in Year
Cash at bank and in hand	1,524	3,950	(2,426)
Bank Overdrafts	(12,320)	(37,534)	25,214
	<u>£(10,796)</u>	<u>£(33,584)</u>	<u>22,788</u>

4. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Issued Share Capital £	Loans £
Balance at 1 January 1998	551,491	64,196
Cash Inflow from financing	22,969	(3,786)
	<u>£ 574,460</u>	<u>£ 60,410</u>

**Notes to the Financial Statements
for the Year Ended 31 December 1998**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Turnover

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

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- Nominal
Leasehold property	- Over the remainder of the lease or fifty years
Buildings	- 25% on cost
Shop & Office Equipment	- 25% - 33% on cost
Rolling Stock	- 10% on cost

Stocks

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

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Government Grants

The accounting policy of the company is to credit the government grants to the profit & loss account over the useful economic life of the assets they improved. This has resulted in the Derelict Land Grant being credited to the profit & loss account over the remaining 27 years of the leasehold. The other grants are being credited over 50 years which is the same as the depreciation of the assets.

2. TURNOVER

The turnover before taxation is attributable to the following activities of the company.

	31.12.98	31.12.97
	£	£
Train Fares	80,170	77,044
Shop Sales	44,474	42,045
Buffet Sales	19,733	16,610
Restraunt Sales	28,276	31,864
SITP Subscription	-	1,652
Rental Income	10,640	-
	<u>189,293</u>	<u>169,215</u>

**Notes to the Financial Statements
for the Year Ended 31 December 1998**

3. STAFF COSTS

	31.12.98	31.12.97
	£	£
Wages and salaries	<u>41,818</u>	<u>34,639</u>

The average monthly number of employees during the year was as follows:

	31.12.98	31.12.97
Shop Staff	2	2
Construction Labour	2	1
Restaurant	<u>-</u>	<u>1</u>
	<u>4</u>	<u>4</u>

4. OPERATING LOSS

The operating loss is stated after charging:

	31.12.98	31.12.97
	£	£
Depreciation - owned assets	35,072	37,838
Auditors' remuneration	<u>2,500</u>	<u>2,500</u>
Directors' emoluments	<u>16,295</u>	<u>15,259</u>

The chairman's firm received £ 7,485 consultancy fees

5. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.98	31.12.97
	£	£
Bank Interest	2,512	3,981
Other Interest	<u>2,275</u>	<u>1,875</u>
	<u>4,787</u>	<u>5,856</u>

6. TAXATION

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 1998 nor for the year ended 31 December 1997.

**Notes to the Financial Statements
for the Year Ended 31 December 1998**

7. TANGIBLE FIXED ASSETS

	<u>Freehold property</u>	<u>Leasehold property</u>	<u>Buildings</u>
	£	£	£
COST OR VALUATION:			
At 1 January 1998	106,051	362,585	464,066
Additions	<u>1,000</u>	<u>25,227</u>	<u>-</u>
At 31 December 1998	<u>107,051</u>	<u>387,812</u>	<u>464,066</u>
DEPRECIATION:			
At 1 January 1998	5,750	40,948	102,351
Charge for year	<u>1,000</u>	<u>7,755</u>	<u>14,970</u>
At 31 December 1998	<u>6,750</u>	<u>48,703</u>	<u>117,321</u>
NET BOOK VALUE:			
At 31 December 1998	<u>100,301</u>	<u>339,109</u>	<u>346,745</u>
At 31 December 1997	<u>100,301</u>	<u>321,637</u>	<u>361,714</u>

	<u>Tools</u>	<u>Shop & Office Equipment</u>	<u>Rolling Stock</u>	<u>Totals</u>
	£	£	£	£
COST OR VALUATION:				
At 1 January 1998	54,748	21,129	102,264	1,110,913
Additions	<u>299</u>	<u>717</u>	<u>-</u>	<u>27,243</u>
At 31 December 1998	<u>55,047</u>	<u>21,846</u>	<u>102,264</u>	<u>1,138,156</u>
DEPRECIATION:				
At 1 January 1998	54,463	17,259	74,041	294,812
Charge for year	<u>120</u>	<u>2,120</u>	<u>9,107</u>	<u>35,072</u>
At 31 December 1998	<u>54,583</u>	<u>19,379</u>	<u>83,148</u>	<u>329,884</u>
NET BOOK VALUE:				
At 31 December 1998	<u>464</u>	<u>2,467</u>	<u>19,116</u>	<u>808,272</u>
At 31 December 1997	<u>285</u>	<u>3,870</u>	<u>28,223</u>	<u>816,030</u>

**Notes to the Financial Statements
for the Year Ended 31 December 1998**

7. TANGIBLE FIXED ASSETS - continued

The freehold land at Buxton was valued on the open market on the 18 February 1994 by Mark Jenkinson and Son. The land was valued at £100,000, which is the value included in the accounts. In January 1999 a small part of the land was sold.

8. STOCKS

	31.12.98	31.12.97
	£	£
Goods for resale	6,431	11,108
Spare Parts and Materials	<u>1,000</u>	<u>1,000</u>
	<u>7,431</u>	<u>12,108</u>

**9. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.98	31.12.97
	£	£
Trade debtors	4,493	2,407
Other debtors	3,530	4,706
Prepayments & accrued income	<u>1,152</u>	<u>1,292</u>
	<u>9,175</u>	<u>8,405</u>

**10. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.98	31.12.97
	£	£
Bank loans and overdrafts (see note 12)	6,205	12,320
Trade creditors	38,468	36,042
Accrued Expenses	22,839	26,327
Share Application Monies	6,160	2,592
Members Loans	<u>19,628</u>	<u>24,974</u>
	<u>93,300</u>	<u>102,255</u>

The notes form part of these financial statements

Peak Rail plc

**Notes to the Financial Statements
for the Year Ended 31 December 1998**

**11. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	31.12.98 £	31.12.97 £
Bank loans (see note 12)	17,522	19,530
Buxton Site Bonds	<u>17,100</u>	<u>17,100</u>
	<u>34,622</u>	<u>36,630</u>

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	31.12.98 £	31.12.97 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>6,205</u>	<u>12,320</u>

Amounts falling due between one and two years:

Bank loans	<u>17,522</u>	<u>19,530</u>
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13. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.98 £	31.12.97 £
Bank overdrafts	6,205	12,320
Bank loans	<u>17,522</u>	<u>19,530</u>
	<u>23,727</u>	<u>31,850</u>

Standard Mortgage Debenture in the name of Peak Rail plc dated 6/12/95 First Legal Charge over unregistered freehold property. Land-Midland Station Buildings Buxton Midland Station Buxton Derbyshire Dated 29/12/1995

14. ACCRUALS AND DEFERRED INCOME

	31.12.98 £	31.12.97 £
Deferred government grants		
Brought forward	235,003	243,181
Deferred Income	<u>(8,178)</u>	<u>(8,178)</u>
	<u>226,825</u>	<u>235,003</u>

**Notes to the Financial Statements
for the Year Ended 31 December 1998**

15. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.12.98	31.12.97
			£	£
1,000,000	Ordinary	£1.00	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.98	31.12.97
			£	£
574,460	Ordinary	£1.00	<u>574,460</u>	<u>551,491</u>
			<u>574,460</u>	<u>551,491</u>

A total of 22,969 Ordinary Shares, of £1.00 each were allotted and fully paid for in cash at par during the year. These shares were issued to enable the company to continue its capital expenditure programme.

16. REVALUATION RESERVE

	31.12.98	31.12.97
	£	£
Brought forward	39,047	38,047
Transfer In Year	<u>1,000</u>	<u>1,000</u>
	<u>40,047</u>	<u>39,047</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.98	31.12.97
	£	£
(Loss)/Profit for the financial year	(17,201)	1,200
Share Capital Issued	22,969	18,146
Revaluation	<u>1,000</u>	<u>1,000</u>
NET (REDUCTION)/ADDITION TO SHAREHOLDERS' FUNDS	(1,156)	20,346
Opening shareholders' funds	<u>464,179</u>	<u>443,833</u>
CLOSING SHAREHOLDERS' FUNDS	<u>470,947</u>	<u>464,179</u>
Equity interests	<u>470,947</u>	<u>464,179</u>

18. LEGAL DISPUTE

There is a legal dispute with Mr & Mrs Binns over the condition of a railway carriage which they claim Peak Rail allowed to deteriorate. This was resolved in April 1999 upon payment to Mr & Mrs Binns of £13,000.

**Notes to the Financial Statements
for the Year Ended 31 December 1998**

19. LOAN BY R GRANGE

Mr R Grange has loaned the company £21,000 at an interest rate of 0.5% above the Halifax Building Society rate. The Company has given security over this loan by putting a charge on the steam locomotive Warrington. This amount was repaid in February 1999.

Trading and Profit and Loss Account
for the Year Ended 31 December 1998

Income:
Train Fares
Shop Sales
Buffet Sales
Restaurant Sales
SITP Subscriptions
Rental Income

Cost of sales:
Train Operation Costs
Shop Purchases
Buffet Purchases
Restaurant Purchases
Magazine & Newssheet Costs

GROSS PROFIT

Other income:
Revenue Donations
Sundry Income
Building Society Interest
Exceptional Receipts

Expenditure:
Directors' Remuneration
Wages & Salaries
Capitalized Labour
Auditors Remuneration
Legal & Consultancy
Advertising & Publicity
Repairs, Maintenance & Hire
Telephone
General Administration
Insurance
Rent, Rates & Water
Light & Heat

Finance costs:
Bank Interest
Other Interest
Bank Charges
Credit Card

	31.12.98	31.12.97
	£	£
	80,170	77,044
	44,474	42,045
	19,733	16,610
	28,276	31,864
		1,652
	<u>10,640</u>	<u>169,215</u>
	183,293	
	27,702	29,310
	34,484	26,010
	6,353	6,349
	22,918	21,036
	<u>-</u>	<u>536</u>
		<u>83,241</u>
	91,457	85,974
	91,836	
	12,120	18,409
	26,303	15,270
	47	469
	<u>-</u>	<u>10,984</u>
		<u>45,132</u>
	38,470	131,106
	130,306	
	16,295	15,259
	25,523	19,380
	(10,000)	(10,000)
	2,500	2,500
	11,017	2,377
	15,549	17,216
	11,685	8,348
	1,020	1,071
	6,728	5,726
	8,871	7,168
	11,065	9,352
	<u>4,559</u>	<u>4,521</u>
		<u>82,918</u>
	104,812	48,188
	25,494	
	2,512	3,981
	2,275	1,875
	2,024	2,349
	<u>812</u>	<u>945</u>
		<u>9,150</u>
	7,623	

Peak Rail plc

**Trading and Profit and Loss Account
for the Year Ended 31 December 1998**

	<u>31.12.98</u>		<u>31.12.97</u>	
	£	£	£	£
Brought forward		17,871		39,038
Depreciation:				
Freehold Property	1,000		1,000	
Leasehold Property-Non Landlord	7,755		7,252	
Leasehold Property-Landlord	14,970		15,622	
Tools	120		455	
Shop & Office Equipment	2,120		3,383	
Rolling Stock	<u>9,107</u>		<u>10,126</u>	
		<u>35,072</u>		<u>37,838</u>
NET (LOSS)/PROFIT		<u>£(17,201)</u>		<u>£1,200</u>

This page does not form part of the statutory financial statements