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**WENSLEYDALE RAILWAY PLC**

**ANNUAL REPORT AND  
CONSOLIDATED ACCOUNTS**

**FOR THE YEAR ENDED**

**31 MARCH 2004**

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Company registration number 4093919



**CHARTERED ACCOUNTANTS**  
St Andrew's House, Spen Lane, York YO1 7FS



WENSLEYDALE RAILWAY PLC

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## WENSLEYDALE RAILWAY PLC

### CHAIRMAN'S REVIEW

I would like to begin, rather than end, by thanking the people who have provided enormous support to the company in its first year of railway operation.

We are grateful to the volunteers of the Association, our suppliers of goods and, particularly, services, who have typically provided assistance beyond the terms of the formal contract and I would like to thank our staff for their outstanding contribution.

Without the willingness and enthusiasm of these three groups we would not have been able to start passenger services in July 2003, so soon after the handover of the line by Network Rail only 7 weeks before. An earlier handover would have enabled us to run a timetable for the whole of the main tourist season. Starting at Easter 2003 would have produced significantly greater revenue.

The Company, nevertheless, operated a regular service and demonstrated that a straightforward timetable was attractive to passengers in the first year of operation.

During the year we have taken every opportunity to publicise the difference between Wensleydale Railway plc and other private railway operations. Our planned mix of passengers – both visitors and residents – together with our potential for links to the rest of the railway system have been emphasised in numerous television, radio and press reports. The visit and train journey enjoyed by the Duke of York was a good example of the railway presenting a high profile to the public.

These activities build awareness and help to attract both future passengers and future shareholders. Capital investment continues to be a high priority and our second Prospectus is currently encouraging potential shareholders to subscribe.

We look forward to benefiting from growth in passengers and shareholders.



.....  
Keith Cameron  
Chairman

## WENSLEYDALE RAILWAY PLC

### CHIEF EXECUTIVE'S REPORT YEAR ENDED 31 MARCH 2004

During the year under review Wensleydale has regained its passenger railway services after almost fifty years. Communities along the line began to feel the benefits of the inflow of new visitors which the line brought into the area.

Major capital developments were carried out to provide new stations at Leeming Bar and Leyburn, to upgrade the track to allow the operation of passenger services and to provide a range of ancillary trading outlets. New properties and tenants who came with the railway were incorporated into our portfolio.

At the end of the year we were able to look back on our short first season, during which we had trained staff, operated a regular seven-days-a-week passenger service, run special event trains, allowed continued use of the line by freight trains and managed our cafes and shops at our stations and at Northallerton main line station. This initial short season of operation has allowed us to test our assumptions and to use the information gained to shape the way in which we develop the services and related activities over the coming years.

Clearly, the operation of a rural railway will always be challenging, but we are able to move forwards with a continually increasing base of experience which we can use to good effect.

The place of the railway in the community has continued to be established; the provision of a high-quality link between our line and Northallerton has been identified as a key objective by the Northallerton Renaissance Market Town Forum; and we have entered into a development partnership with Hambleton District Council which will see over £ 1 m local authority and regional development agency funding used to redevelop Bedale station. In other locations, we are working closely with parish councils to plan and implement the reopening of a number of stations to serve villages along the route.

One of the main difficulties we have faced has been the very high public liability insurance premiums. By entering an insurance purchasing consortium with a number of other main line railway operators we have been able to bring about a significant reduction in the premium and we are hopeful that further developments over the next few months will reduce this further. Your board is extremely relieved that there appears to be an end to what has been an almost unbearable burden.

As with last year and as is always the case with a long-term project such as ours, we have seen the implementation of much work which was planned during the year under review after its end. The main developmental activities can be summarised as follows:

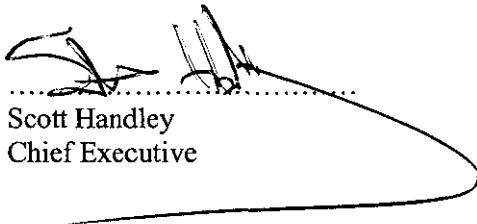
- New stations opened at Bedale (with £25k part funding from North Yorkshire County Council) and Redmire.
- Locomotive and rolling stock storage sidings extended at Leeming Bar
- Passing loops constructed at Bedale and Constable Burton to allow the operation of multiple trains and therefore greatly increase the capacity of the line.
- Procurement and refurbishment of further rolling stock to allow a phased increase in the train service.
- Potential sites for both temporary and permanent stations at Northallerton identified.

Following our successful first share offer which raised over £ 1.2m, we have now opened a new share offer which allows us to raise up to £2.75m additional share capital. New applications for shares are being received daily and the indications are that the new offer will provide additional capital to take forward our development plans. All plans are phased in order that they can be implemented when capital is available. That said, it is clear that for maximum effect we need to carry out the planned development phase of your company's growth as quickly as possible.

**WENSLEYDALE RAILWAY PLC**

**CHIEF EXECUTIVE'S REPORT YEAR ENDED 31 MARCH 2004, CONTINUED**

At the end of the year, whilst still facing challenges stemming from the short first operating season and the very disproportionately large insurance premium, your company is well placed to build upon the very considerable asset it controls, to develop its operation as the only vertically integrated operator on the UK main line network and to work towards a greater range of services and a continually improving passenger experience.



.....  
Scott Handley  
Chief Executive

## WENSLEYDALE RAILWAY PLC

### DIRECTORS' PROFILES

#### **Keith Cameron (Chairman)**

Keith Cameron recently retired as an executive director of Arcadia Group plc and has over 30 years experience in industry. He holds several non-executive directorships and is a visiting Professor at Cranfield University and a Vice President of the children's charity, NCH. He has been the Chairman of the Wensleydale Railway Association for 10 years.

#### **Scott Handley (Chief Executive)**

Scott Handley is the senior partner of the consulting engineers, The Handley Partnership, a firm established over ten years ago. A qualified civil engineer with railway experience, Scott Handley has been responsible for the key property acquisition and negotiations with Network Rail over the lease for the Redmire Branch. He has developed the trading model for the Company and has overseen its operation since its start-up. He is involved on a consultancy basis with a number of railway reinstatement schemes throughout the United Kingdom and is a nationally recognised specialist in the assessment of historic buildings.

#### **Ruth Annison (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.

#### **Clive Roberts (Director of Engineering)**

Clive Roberts has extensive experience in civil engineering railway design. He joined British Rail in 1983 following his studies at Imperial College, London. Working in all parts of the former British Rail but predominantly in London and North Yorkshire, in 1995 he was promoted to the position of principal engineer responsible for a team of bridge design engineers. In his current position with the Corus Rail Consultancy he has been responsible for many major projects and is currently managing the design team for the Sunderland Direct project to extend the Tyne and Wear Metro.

#### **Colin Brown (Director of Operations and Finance)**

Colin Brown is a Chartered Civil Engineer with over 25 years experience in the public and private sectors. Graduating from Nottingham University in 1977, he began his career with Basildon District Council, moving to North Yorkshire County Council in 1989. In 1999, he transferred to Mouchel (now Mouchel Parkman), consulting engineers based in Northallerton. He specialises in highway design, transportation and environmental impact assessment. In addition to Colin's current role as a director of Wensleydale Railway plc, he is also a director of WRC(P) Ltd and Wensleydale Railway Trust Limited, and is a committee member of WRA.

#### **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 11 years.

**WENSLEYDALE RAILWAY PLC**  
**DIRECTORS' PROFILES, CONTINUED**

**Michael Bentley (Non-executive Director)**

Michael Bentley is the director responsible for overseeing the operation of the Company's shops, mail order and internet sales. He has nearly 50 years experience in the retail industry, over 40 of which were in management of his own businesses which included ownership of D M Bentley Photographic (retailer and importers), and chairmanship of Bentleyfilms Ltd (retail camera shops, model and hobby shops, mail order publishing, film distribution and processing and other interests in the motion picture industry). He joined WRA on its inception in 1990, became a committee member in 1997, and subsequently Managing Director of WRC (Aysgarth) Sales Ltd as well as a director of TWRC Ltd and WRC(P) Ltd.

**Mark Flather (Non-executive Director with special responsibility for Safety)**

A committee member of the Wensleydale Railway Association, Mark was for many years the owner of a road haulage business operating throughout the UK and mainland Europe. He has extensive experience at management level within the steel industry.

**WENSLEYDALE RAILWAY PLC**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004**

The directors present their report and the annual report and accounts of the company for the year ended 31 March 2004.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was the preparation for the construction, development and operation of the Wensleydale Railway, initially between Leeming Bar and Leyburn , and subsequently with extensions westward towards Aysgarth Falls. A review of the business and future developments are contained on pages 1-3.

**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.



WENSLEYDALE RAILWAY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

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 2004	At 1 April 2003 or later date of appointment
K G Cameron	Ordinary £1 Shares	2,011	6,000
	'A' Shares	6,000	-
S A Handley	Ordinary £1 Shares	11	8,000
	'A' Shares	8,000	-
C R Annison	Ordinary £1 Shares	11	8,000
	'A' Shares	8,000	-
C J Brown	Ordinary £1 Shares	500	4,000
	'A' Shares	4,000	-
A A Maude - resigned 31.10.2003	Ordinary £1 Shares	-	4,000
	'A' Shares	4,000	-
C J Roberts	Ordinary £1 Shares	-	4,000
	'A' Shares	4,000	-
M W D Flather	Ordinary £1 Shares	1,000	4,000
	'A' Shares	4,000	-
S T Deane	Ordinary £1 Shares	800	500
	Ordinary £1 Shares	100	100

Some of the directors listed above subscribed for the opening shares in the company partially paying for them on subscription at £0.25 per share. The remaining £0.75 per share is unpaid share capital, amounting to £34,500. These shares were converted to A ordinary shares on 13 October 2003 with rights equivalent to a quarter of those applicable to ordinary shares.

**WENSLEYDALE RAILWAY PLC**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004**

**SHARE CAPITAL**

During the year the company offered its shares to the public. At 31 March 2004 £1,376,305 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.

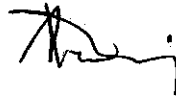
Trade creditor days of the company for the year ended 31 March 2004 were 7 days based on the ratio of company trade creditors at the year end to the amounts invoiced during the year by trade creditors.

**AUDITORS**

A resolution to re-appoint Creers 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



C A LINDSAY  
Company Secretary

Approved by the directors on 7 September 2004

**WENSLEYDALE RAILWAY PLC**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 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 page 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.

**WENSLEYDALE RAILWAY PLC**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS  
FOR THE YEAR ENDED 31 MARCH 2004**

We have audited the annual report and accounts on page 11-28 which have been prepared under the historical cost convention and the accounting policies set out on page 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 accounts in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the annual report and accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 the Directors' Report and 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 United Kingdom 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 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the annual report and accounts.

**OPINION**

In our opinion the annual report and accounts give a true and fair view of the state of the group's affairs as at 31 March 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

CREERS  
Chartered Accountants  
& Registered Auditors

St. Andrew's House  
Spenn Lane  
York  
YO1 7FS  
7 September 2004

WENSLEYDALE RAILWAY PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

	Note	Continuing Operations Existing £	Operations Acquisitions £	Total 2004 £	Total 2003 £
Turnover	2	272,264	19,066	291,330	26,776
Cost of sales		(179,948)	(591)	(180,539)	(40,991)
<b>Gross profit</b>		<u>92,316</u>	<u>18,475</u>	<u>110,791</u>	<u>(14,215)</u>
Administrative expenses		539,209	16,771	555,980	191,756
Amortisation of goodwill		34,803	-	34,803	-
Other operating charges		-	29,386	29,386	-
Other operating income		(68,907)	(4,427)	(73,334)	(45)
Contribution from Network Rail		(525,000)	-	(525,000)	
		<u>(19,895)</u>	<u>41,730</u>	<u>21,835</u>	<u>191,711</u>
Operating profit/(loss)	3	<u>112,211</u>	<u>(23,255)</u>	88,956	(205,926)
Interest receivable				668	966
Interest payable	7			(19,940)	-
<b>Profit/(loss) on ordinary activities before taxation</b>				<u>69,684</u>	<u>(204,960)</u>
Taxation	4			1,477	-
Profit/(Loss) after taxation				68,207	(204,960)
Minority interest				10,164	-
<b>Retained profit/(loss) for the year</b>				<u>58,043</u>	<u>(204,960)</u>
Balance brought forward				(459,527)	(254,567)
<b>Balance carried forward</b>				<u>(401,484)</u>	<u>(459,527)</u>

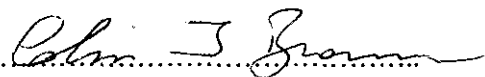
WENSLEYDALE RAILWAY PLC

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 31 MARCH 2004

	Note	Group 2004 £	Company 2004 £	Company 2003 £
<b>FIXED ASSETS</b>				
Goodwill	8	313,228	-	-
Tangible assets	9	781,081	266,998	58,632
Investments	10	-	97,207	-
		<u>1,094,309</u>	<u>364,205</u>	<u>58,632</u>
<b>CURRENT ASSETS</b>				
Stock	12	28,662	28,662	1,200
Debtors	13	774,539	980,602	497,140
Cash at bank		6,447	1,847	111,766
		<u>809,648</u>	<u>1,011,111</u>	<u>610,106</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	586,104	609,620	25,685
		<u>223,544</u>	<u>401,491</u>	<u>584,421</u>
<b>Net current assets</b>				
		<u>1,317,853</u>	<u>765,696</u>	<u>643,053</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
<b>CREDITORS: Amounts falling due after more than one year</b>	15	338,965	-	-
		<u>978,888</u>	<u>765,696</u>	<u>643,053</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	18	1,376,305	1,376,305	1,102,580
Profit and loss account	19	(401,484)	(610,609)	(459,527)
Minority interest		4,067	-	-
		<u>978,888</u>	<u>765,696</u>	<u>643,053</u>
<b>Shareholders' Funds</b>	20			
		<u>978,888</u>	<u>765,696</u>	<u>643,053</u>

These annual report and accounts were approved by the directors on 7 September 2004 and are signed on their behalf by:

  
S A Handley

  
C J Brown

The notes on pages 14 to 28 form part of these annual report and accounts

WENSLEYDALE RAILWAY PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 £	2003 £
Net cash outflow from operating activities	21	(171,557)	(132,421)
Returns on investments and servicing of finance	21	4,324	966
Capital expenditure and financial Investment	21	(209,647)	(38,665)
Acquisitions	21	27,098	-
		_____	_____
Cash outflow before financing		(349,782)	(170,120)
Financing	21	149,466	224,730
		_____	_____
(Decrease)/Increase in cash	21	(200,316)	54,610
		=====	=====

## WENSLEYDALE RAILWAY PLC

### NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

#### 1. ACCOUNTING POLICIES

##### **Basis of accounting**

The annual report and accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

##### **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 2004 was £151,082.

The subsidiary undertakings were acquired at 31 July 2003, so the consolidated profit and loss account includes two thirds of their results for the year.

##### **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

##### **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.



WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

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:

	2004 £	2003 £
United Kingdom	291,330	26,776

3. OPERATING PROFIT

Operating profit is stated after charging:

	2004 £	2003 £
Depreciation	27,303	4,496
Loss on disposal of fixed assets	3,505	10,468
Auditors' remuneration - as auditors	8,850	5,500
Operating lease costs:		
Land and buildings	4,006	6,005
Plant and equipment	19,959	-
Share issue costs	670	3,891
Contribution to railway development costs of TWRC Limited	190,000	-

The company has spent a total of £670 (2003 £3,891) on the issue of the ordinary share capital, which comprised postage and administration costs.

4. TAXATION

	2004 £	2003 £
Current tax:		
UK corporation tax based on the results for the year	1,477	-

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

5. PARTICULARS OF EMPLOYEES

Group and Company

The average number of staff employed during the financial year amounted to:

	2004 Number	2003 Number
Management and administration	6	8
Sales staff	2	1
Railway operations and maintenance	5	-
	<u>13</u>	<u>9</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	126,805	76,445
Social security costs	17,898	4,709
	<u>144,703</u>	<u>81,154</u>

6. DIRECTORS' EMOLUMENTS

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

	2004 £	2003 £
Emoluments receivable	<u>24,500</u>	<u>51,000</u>

7. INTEREST PAYABLE

	2004 £	2003 £
Interest payable on bank borrowing	<u>19,940</u>	<u>-</u>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

8. GOODWILL

	2004 £	2003 £
Purchased on acquisition of subsidiaries	348,031	-
Amortised in the year	(34,803)	-
	<hr/>	<hr/>
Balance at 31 March 2004	313,228	-
	<hr/> <hr/>	<hr/> <hr/>

9. TANGIBLE FIXED ASSETS - GROUP

	Freehold property £	Station improvements £	Track and rail infrastructure £	Plant and equipment £	Total £
<b>COST</b>					
At 1 April 2003	-	23,708	12,926	27,717	64,351
Additions	-	115,536	79,226	27,414	222,176
New subsidiaries	537,717	3,749	-	-	541,466
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	537,717	142,993	92,152	55,131	827,993
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>					
At 1 April 2003	-	593	402	4,724	5,719
New subsidiaries	16,501	90	-	37,899	54,490
Charge for the year	10,754	3,504	1,843	11,202	27,303
Disposals	-	-	-	(40,600)	(40,600)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	27,255	4,187	2,245	13,225	46,912
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>					
At 31 March 2004	510,462	138,806	89,907	41,906	781,081
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2003	-	23,115	12,524	22,993	58,632
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

9. TANGIBLE FIXED ASSETS - COMPANY

	Station improvements £	Track and rail infrastructure £	Plant and equipment £	Total £
<b>COST</b>				
1 April 2003	23,708	12,926	27,717	64,351
Additions	115,536	79,226	27,414	222,176
	-----	-----	-----	-----
At 31 March 2004	139,244	92,152	55,131	286,527
	-----	-----	-----	-----
<b>DEPRECIATION</b>				
At 1 April 2003	593	402	4,724	5,719
Charge for the year	3,466	1,843	8,501	13,810
	-----	-----	-----	-----
At 31 March 2004	4,059	2,245	13,225	19,529
	-----	-----	-----	-----
<b>NET BOOK VALUE</b>				
At 31 March 2004	135,185	89,907	41,906	266,998
	=====	=====	=====	=====
At 31 March 2003	23,115	12,524	22,993	58,632
	=====	=====	=====	=====

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

10. INVESTMENTS - COMPANY

	WRC(P) Limited £	TWRC Limited £	Total £
<b>COST</b>			
Additions	2	97,205	97,207
	—	—	—
At 31 March 2004	2	97,205	97,207
	=	=	=
<b>NET BOOK VALUE AT 31 MARCH 2004</b>	<b>2</b>	<b>97,205</b>	<b>97,207</b>
	=	=	=

**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.

WRC (Aysgarth) Sales Limited is a 100% subsidiary of TWRC Limited and therefore became part of the group at 31 July 2003. The results have not been consolidated as they were not material. WRC (Aysgarth) Sales Limited ceased to trade on 3 August 2003 with its activities being taken over by the company.

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

11. ACQUISITIONS

TWRC Limited, WRC(P) Limited and WRC (Aysgarth) Sales Limited were acquired at 31 July 2003. WRC(P) Limited was a wholly owned subsidiary of TWRC Limited at 31 July 2003. At 31 March 2004 the ownership was transferred to Wensleydale Railway plc.

	01.04.2003 to 31.07.2003 £	Year ended 31.03.2003 £
TWRC Limited - profit after tax	122,383	10,654
WRC(P) Limited - profit after tax	3,925	(25,455)

WRC (Aysgarth) Sales Limited were not consolidated within these accounts. Their last available accounts were the year ended 31 March 2003.

Aggregate capital and reserve	10,247
Profit and loss account	10,193

12. STOCKS

Group and Company

	2004 £	2003 £
Finished goods	28,662	1,200

13. DEBTORS

	Group 2004 £	Company 2004 £	Company 2003 £
Trade debtors	709,262	699,954	-
Amounts owed by group undertakings	-	225,756	-
VAT recoverable	-	-	8,849
Other debtors	43,785	43,785	487,551
Prepayments and accrued income	21,492	11,107	740
	774,539	980,602	497,140

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

14. CREDITORS: Amounts falling due within one year

	Group 2004 £	Company 2004 £	Company 2003 £
Bank loans and overdrafts	99,779	94,997	-
Trade creditors	53,309	48,771	1,460
Amounts owed to group undertakings	30,172	229,743	-
PAYE and social security	3,093	3,093	5,613
VAT	83,623	84,745	-
Corporation tax	2,215	-	-
Debenture loans	22,000	-	-
Other loans	100,000	-	-
Directors current accounts	8,310	-	-
Other creditors	16,599	8,352	12,430
Accruals and deferred income	167,004	139,919	6,182
	<u>586,104</u>	<u>609,620</u>	<u>25,685</u>

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

	Group 2004 £	Company 2004 £	2003 £
Bank loans and overdrafts	99,779	94,997	-
	<u>99,779</u>	<u>94,997</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.

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

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

	Group 2004 £	Company 2004 £	Company 2003 £
Bank loans and overdrafts	304,765	-	-
Debenture loans	34,200	-	-
	<hr/>	<hr/>	<hr/>
	338,965	-	-
	<hr/>	<hr/>	<hr/>

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

	Group 2004 £	Company 2004 £	Company 2003 £
Bank loans and overdrafts	304,765	-	-
	<hr/>	<hr/>	<hr/>

Included within creditors falling due after more than one year is an amount of £281,619 (2003 £291,094) in respect of liabilities which fall due for payment after more than five years from the balance sheet date.

16. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2004 there were annual commitments under non-cancellable operating leases as set out below:

	Group 2004 £	Company 2004 £	Company 2003 £
<b>Land and buildings</b>			
Operating leases which expire:			
Within one year	1,600	1,600	1,600
After more than five years	116,660	83,200	-
	<hr/>	<hr/>	<hr/>
	118,260	84,800	1,600
	<hr/>	<hr/>	<hr/>



WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

17. RELATED PARTY TRANSACTIONS

During the year the company entered into the following transactions on an arms length basis with other entities. The Handley Partnership is related by virtue of the fact that S A Handley, a director and shareholder of the company, is associated with this enterprise. Mrs J Bentley, (M Bentley's wife) made a loan to TWRC and received interest of £6,697 (2003 £5,572) thereon.

**Handley Partnership**

Rent and administration charges	£5,166 (2003 £5,915)
Administration charges	£9,391 (2003 £2,190)

**WRC (Aysgarth) Sales Limited**

Stock transferred at cost	£28,255 (2003 nil)
Expenses paid on behalf of WRC (Aysgarth) Sales Limited	£500 (2003 nil)
Sales loan	£2,418 (2003 nil)

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

**Creditors and accruals**

Handley Partnership	£6,812 (2003 £27)
WRC (Aysgarth) Sales Limited	£30,172 (2003 nil)
Mrs J Bentley (loan)	£100,000 (2003 nil)
Directors' current account	£8,310 (2003 £8,310)

18. SHARE CAPITAL

**Authorised share capital:**

	2004 £	2003 £
9,950,000 ordinary shares of £1 each	9,950,000	10,000,000
50,000 ordinary 'A' shares of £1 each	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 2004

18. SHARE CAPITAL continued

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	1,326,305	1,326,305	1,102,580	1,102,580
Ordinary 'A' shares of £1 each	50,000	50,000	-	-
	<u>1,376,305</u>	<u>1,376,305</u>	<u>1,102,580</u>	<u>1,102,580</u>

On 23 November 2000 the company offered 2,500,000 ordinary shares of £1 each at par for public subscription.

During the year 273,725 ordinary shares of £1 each were issued and fully paid.

At 31 March 2004, 1,326,305 had been issued with an amount of £34,500 unpaid.

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.

'A' ordinary shares are entitled to a quarter of the rights of £1 ordinary shares.

19. STATEMENT OF MOVEMENTS ON RESERVES GROUP

	Profit and loss account £
Balance at 1 April 2003	(459,527)
Retained profit for the year	58,043
	<u>(401,484)</u>
<b>COMPANY</b>	
	Profit and loss account £
Balance at 1 April 2003	(459,527)
Retained loss for the year	(151,082)
	<u>(610,609)</u>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

GROUP

	2004 £
Retained profit for the year	58,043
New equity share capital	273,725
Minority interest	4,067
	<hr/>
Net additions to funds	335,835
Opening shareholders equity funds	643,053
	<hr/>
Closing shareholders equity funds	978,888
	<hr/> <hr/>

COMPANY

	2004 £	2003 £
Loss for the financial year	(151,082)	(204,960)
New equity share capital subscribed	273,725	224,730
	<hr/>	<hr/>
Net additions to funds	122,643	19,770
Opening shareholders equity funds	643,053	623,283
	<hr/>	<hr/>
Closing shareholders equity funds	765,696	643,053
	<hr/> <hr/>	<hr/> <hr/>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

21. NOTES TO THE STATEMENTS OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT

	Existing £	Acquisition £	Total 2004 £	Total 2003 £
Operating profit	112,211	(23,255)	88,956	(205,926)
Depreciation	13,810	13,493	27,303	4,496
Loss on disposal of fixed assets	-	3,505	3,505	10,468
Amortisation of goodwill	34,803	-	34,803	-
(Increase)/decrease in stocks	(27,462)	-	(27,462)	460
(Increase)/decrease in debtors	(182,018)	55,341	(126,677)	78,304
Increase/(decrease) in creditors	490,914	(662,899)	(171,985)	(20,223)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash outflow from operating activities	442,258	(613,815)	(171,557)	(132,421)
	<hr/>	<hr/>	<hr/>	<hr/>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004 £	2003 £
Interest received	668	966
Interest paid	3,656	-
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	4,324	966
	<hr/>	<hr/>

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS

	2004 £	2003 £
Payments to acquire tangible fixed assets	(222,176)	(46,165)
Receipts from sale of fixed assets	12,529	7,500
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(209,647)	(38,665)
	<hr/>	<hr/>

ACQUISITIONS

	2004 £	2003 £
Purchase of subsidiary undertakings	2	-
Cash acquired with new subsidiaries	27,096	-
	<hr/>	<hr/>
Net cash inflow from acquisition	27,098	-
	<hr/>	<hr/>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

21. NOTES TO THE STATEMENTS OF CASH FLOWS

FINANCING

	2004 £	2003 £
Issue of equity share capital	176,520	224,730
Repayment of bank loans	(18,954)	-
Repayment of debenture loans	(8,100)	-
	<hr/>	<hr/>
Net cash inflow from financing	149,466	224,730
	<hr/> <hr/>	<hr/> <hr/>

RECONCILIATION OF NET CASH FLOW

	2004 £	2003 £
(Decrease)/Increase in cash period	(200,316)	54,610
Debenture loan acquired with new subsidiaries	(66,130)	-
Loans acquired with new subsidiaries	(403,070)	-
Movement on bank and debenture loans	3,453	-
	<hr/>	<hr/>
Movement in net debt	(666,063)	54,610
Net funds at 1 April 2003	111,766	57,156
	<hr/>	<hr/>
Net funds at 31 March 2004	(554,297)	111,766
	<hr/> <hr/>	<hr/> <hr/>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2003 £	Cash flows £	Acquisitions (excluding cash) £	At 31 March 2004 £
Net cash:				
Cash in hand and at bank	111,766	(105,319)	-	6,447
Overdrafts	-	(94,997)	-	(94,997)
	<hr/>	<hr/>	<hr/>	<hr/>
	111,766	(200,316)	-	(88,550)
Debt due within one year	-	(12,688)	(114,094)	(126,782)
Debt due after one year	-	16,141	(355,106)	(338,965)
	<hr/>	<hr/>	<hr/>	<hr/>
Net debts	111,766	(196,863)	(469,200)	(554,297)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

21. NOTES TO THE STATEMENTS OF CASH FLOWS

PURCHASE OF SUBSIDIARY UNDERTAKINGS

	TWRC 31.07.2003	WRCP 31.07.2003
Tangible assets	18,735	524,875
Debtors	139,508	11,214
Cash at bank	21,419	5,677
Creditors: amounts falling due within one year	(151,003)	(217,822)
Creditors: amounts falling due after more than one year	(173,219)	(436,304)
	—————	—————
	(144,560)	(112,360)
Goodwill	235,983	112,048
Minority interest	5,782	314
	—————	—————
	97,205	2
	=====	=====
Satisfied by:		
Shares allocated	97,205	2
	=====	=====