

Company Registration No 2740837

PROJECT DEFIANCE LIMITED

Report and Financial Statements

31st December 2001



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COMPANIES HOUSE 25/10/02

REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND FINANCIAL ADVISERS

DIRECTORS

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

SECRETARY

R A Hale ACA

REGISTERED OFFICE

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

DIRECTORS' REPORT

The directors present their annual report and the financial statements for the year ended 31st December 2001.

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

ACTIVITIES

The principal activity of the company is the operation of ex-British Rail Class 50 diesel locomotive no 50049 "Defiance". This activity is not expected to change in the foreseeable future.

REVIEW OF THE BUSINESS

The year saw steady progress on several fronts. Of greatest importance was the continued growth in the relationship between your company and The Fifty Fund. A working name of the Class 50 Alliance was adopted to reflect the close cooperation between the two groups. The significance of this association across the whole range of owning and operating Class 50s cannot be overstated, because it has brought a pooling of skills towards a common purpose and so removed gaps in the capabilities of one or other organisation. Arising from this is the Alliance's pre-eminent position in Class 50, which should enable your company to move into profit in the coming year.

Progress on main line running brought three passenger outings for 50049 as well as use several times to move locomotives for display at events around the country.

The market for the use of heritage traction on the main line was still relatively immature during 2001, largely due to the availability of EWS Class 47s for charter hire and a lack of understanding among charter operators of the potential benefits from using this form of traction. Discussions took place between the Alliance and a company which hires locomotives and which was seeking to break into the charter market. These did not progress when that company decided not to proceed with this diversification of its activities. Nevertheless, that the dialogue took place is a good indicator of the respect that the Alliance is gaining as a provider of reliable main line traction. Other Class 50 owners also continued to seek help in various ways.

As always, the contribution of the volunteers, who give ever increasing amounts of their time, is vital to your company's success. Although mentioned here at the end of this review, the volunteers' efforts rank highest in making 2001 a successful year.

RESULTS AND DIVIDENDS

The trading loss for the year amounted to £2134 (2000 - £5553). No dividend was declared during the year and the loss, after taxation, of £2134 (2000 - £5553) has been transferred from reserves.

FUTURE DEVELOPMENTS

Following a successful year, your directors will continue to explore appropriate opportunities for profitable main line running.

DIRECTORS' REPORT (continued)

FIXED ASSETS

Tangible fixed assets comprise 50049 "Defiance", long term spares, plant and machinery, and a lorry which was purchased shortly before the year end. The tangible fixed assets are disclosed in note 7 to the accounts at a total cost of £26565.

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

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

DIRECTORS

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

	2001	2000
D N Clough	81	81
J Dunster	1	1
R A Hale	77	71
C R Holland	3	3
J S Tiley	14	14

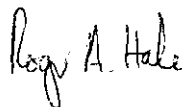
AUDITORS

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

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

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

R A Hale ACA



Secretary

PROJECT DEFIANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROJECT DEFIANCE LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31st December 2001

	Note	£	2000 £
TURNOVER	4	3750 =====	938 =====
Operating (Loss)	5	(2169)	(5652)
Interest receivable and similar income		35	99
Interest payable and similar charges		-	-
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(2134)	(5553)
Tax charge on ordinary activities	6	-	-
(LOSS) FOR THE FINANCIAL YEAR		(2134) =====	(5553) =====

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

PROJECT DEFIANCE LIMITED

BALANCE SHEET
31st December 2001

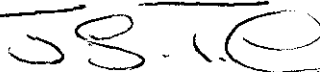
	Note	£	£	£	2000 £
FIXED ASSETS					
Tangible Assets	7		7691		11259
Investments	8		4000		4000
			11691		15259
CURRENT ASSETS					
Stocks	9	468		468	
Debtors	10	2608		1262	
Cash at bank		6163		3772	
		9239		5502	
CURRENT LIABILITIES					
Creditors:					
Amounts falling due within one year		2978		1500	
NET CURRENT ASSETS					
			6261		4002
			17952		19261
			17952		19261
CAPITAL AND RESERVES					
Called up share capital	11		37175		36350
Profit and loss account	12		-19223		-17089
			17952		19261
			17952		19261

The directors confirm that:

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

Approved by the Board on 14 September 2002

J. S. Tiley Director



NOTES TO THE ACCOUNTS

Year ended 31st December 2001

1 ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

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

Tangible fixed assets

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

Locomotive D449/50149	10% per annum
Locomotive spares	10% per annum
Plant and machinery	20% per annum
Lorry	25% per annum

Investments

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

Stocks

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

2 EMPLOYEES

The company has no employees.

3 DIRECTORS

None of the directors received any remuneration during the period.

4 TURNOVER

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

PROJECT DEFIANCE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 2001

5 OPERATING LOSS

	2001 £	2000 £
Operating (loss) is after charging:		
Depreciation	3568	2456
	=====	=====

6 TAXATION

No corporation tax charge arises this year due to the loss sustained. Losses available for carry forward total approximately £15,500.

7 TANGIBLE FIXED ASSETS

	Loco D449 £	Loco spares £	Plant and machinery £	Lorry £	Total £
Cost at 1st January 2001	10000	9665	2450	4450	26565
Cost at 31st December 2001	10000	9665	2450	4450	26565
Depreciation					
At 1st January 2001	7250	6586	1470	-	15306
Charge for the year	1000	966	490	1112	3568
At 31st December 2001	8250	7552	1960	1112	18874
Net book value					
At 31st December 2001	1750	2113	490	3338	7691
At 31st December 2000	2750	3079	980	4450	11259

8 INVESTMENTS HELD AS FIXED ASSETS

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

9 STOCKS

Stocks comprise consumable materials.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2001

10 DEBTORS

	2001	2000
	£	£
Other debtors	2608	1262
	=====	=====

11 CALLED UP SHARE CAPITAL

	2001	2000
	£	£
Authorised		
4000 ordinary shares of £25 each	100000	100000
	=====	=====
Allotted and fully paid		
1487 ordinary shares of £25 each	37175	36350
	=====	=====

During the period a further 33 ordinary shares were issued for cash to provide working capital. The Class 50 Society hold 495 ordinary shares representing 33.3% of the shares in issue at the balance sheet date.

12 PROFIT AND LOSS ACCOUNT

	£
Debit balance at 1st January 2001	(17089)
Add: Loss for the year	(2134)
Debit balance at 31st December 2001	(19223)
	=====

13 RECONCILIATION OF MOVEMENT OF SHAREHOLDERS FUNDS

	2001	2000
	£	£
Opening shareholders funds at 1st January 2001	36350	32500
New capital subscribed	825	3850
Closing shareholders funds at 31st December 2001	37175	36350
	=====	=====