

WENSLEYDALE RAILWAY PLC
ANNUAL REPORT AND ACCOUNTS
FOR THE PERIOD ENDED
31 MARCH 2002



Company Registration Number 4093919

WENSLEYDALE RAILWAY PLC
ANNUAL REPORT AND ACCOUNTS
PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

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WENSLEYDALE RAILWAY PLC

CHAIRMAN'S REVIEW

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

This Report to shareholders spans an eighteen-month period as we decided that our first full Report should cover the longest period allowable by company law.

This is, in part, so that we can report as much as possible in the document and, in part, to reflect the fact that it has taken longer than envisaged to clear important hurdles.

The most fundamental of these was the 99-year lease of the 22 miles of the line from Northallerton to Redmire. This was the springboard for the establishment of Wensleydale Railway plc and the initial public offering of shares.

From the announcement of the agreement in principle it has taken more than two years to translate this commitment into agreed terms for the lease. There will be few people in this country who do not know of the difficulties which Railtrack has had to face during these two years and these problems have indirectly affected the Wensleydale Railway.

As you can imagine, the delay has been extremely frustrating and it has hit our pocket as we had planned to operate services from an earlier date than now envisaged.

Nevertheless, the Safety Case has been completed and approval of it by the Health and Safety Executive is imminent and our Operator's Licence is close to being granted by the Office of the Rail Regulator. This enables us to make comprehensive moves towards operation as Scott Handley describes in more detail in his Chief Executive's Report.

In the prospectus published in November 2000, illustrative financial projections suggested that the company would incur a loss of £215,000 in the first year and, effectively, break even in the second year.

The result of the delays mentioned earlier has meant that the loss for the eighteen-month period covered by the Financial Statements in this Report is £254,000.

The basis for the financial projections and the Financial Statements is not strictly comparable but it is helpful to have some reference points when gauging progress.

If we had made faster progress we would have completed the reorganisation of related companies and companies owned by the Wensleydale Railway Association which, in turn, would have provided earlier access to institutional funds which were negotiated during 2001.

Nevertheless, those funds will be drawn down during the forthcoming months and will add to the substantial sum of over £0.95 million of subscribed share capital.

The raising of capital, detailed planning for operation, planned enhancement of buildings and facilities, preparatory engineering work plus lineside and rolling stock refurbishment by WRA members has substantially prepared the line for operation.

The Directors have all spent immense amounts of their personal time driving forward the reinstatement of the railway and the volunteers from the Association have shown enormous effort and commitment.

I look forward to next year's Report and Accounts describing how this formative work was translated into a successful operating railway.



K CAMERON
Chairman

WENSLEYDALE RAILWAY PLC

CHIEF EXECUTIVE'S REPORT

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

Despite the frustration associated with an extremely prolonged period for the negotiation of the lease, substantial progress has been achieved on many fronts.

Plans have been submitted and approved for our initial station redevelopment and work on the sites is underway. Work has begun on laying a passing loop at Leeming Bar- this development uses some of the mile of track provided free to us by Railtrack and First Engineering.

The rolling stock for a Works Train, comprising ballast hopper wagons, low loader wagon, brake van and mobile crane has been purchased and is in the process of refurbishment.

Commitments have been made to us by owners of various types of motive power and we have booked their equipment for our use.

Alongside the sourcing of motive power, we have acquired an option on seven coaches which, as part of the contract, will be refurbished to our standards.

In addition to heritage services, the regular operation along the line will use modern lightweight diesel units which are new to the UK, so we are in continuing negotiations with the Strategic Rail Authority about the introduction of these trains.

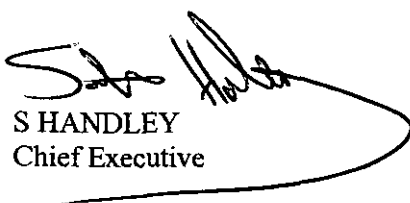
Formal clearance for us to operate the line will be achieved very shortly when the Safety Case is approved and the Office of the Rail Regulator has issued our Operator's Licence.

The delay to the completion of the lease meant that we reluctantly decided in March 2002 to suspend the bus services operated by a related company. Buses have always been envisaged as a key element of the integrated public transport services for the area rather than as a separate operation. Their viability is predicated on their integration with the rail service and it is planned to re-introduce buses when local rail services are operational.

The volunteer body, the Wensleydale Railway Association, has assisted the company by purchasing rolling stock, providing lineside and engineering help and, on a commercial basis, has operated its shop from Leyburn Station and has taken over the running of the retail outlet at Northallerton's main line station.

The culmination of the first stage of our work will be what is known as FTD - First Train Day. Once the Operator's Licence has been issued and the lease with Railtrack has been signed, the first train is planned for October so that we can run services which will be used by autumn holidaymakers. Special services will also be run at Christmas which will appeal particularly to families and children.

The regular services through the dale are planned to start at Easter next year with an hourly service being run between Leeming Bar and Leyburn.



S HANDLEY
Chief Executive

WENSLEYDALE RAILWAY PLC

COMPANY DIRECTORS

The members of the Board are listed below.

Keith Cameron is non-Executive Chairman. Aged 55, he retired last year as an Executive Director of Arcadia Group plc. He is currently a Director of Arcadia Group Senior Executive Pension Scheme Ltd, Barclays Bank UK Retirement Fund Trustee Ltd, SyBlue Ltd and is a Visiting Professor at Cranfield University. He is also a member of the Retail Advisory Board of National Children's Homes and an adviser to several service companies

Scott Handley is Chief Executive. As Principal of The Handley Partnership, he advises a number of organisations responsible for the establishment and operation of public transport schemes. He is also a nationally recognised specialist in the assessment of historic buildings.

Ruth Annison is Marketing Director. Since 1975 she has been a Partner in the Hawes ropemakers, W R Outhwaite and Son and is Chairman of the Settle-Carlisle Railway Business Liaison Group. In 1990, Ruth initiated the group which became the Wensleydale Railway Association.

Colin Brown is Commercial Director. A graduate of Nottingham University, he is a Chartered Civil Engineer with over 20 years experience and currently works for Mouchel specialising in transportation and environmental impact assessment.

Steve Deane is Mechanical Engineering Director. A graduate of the RAF College, Cranwell, he is a Chartered Engineer with over 25 years experience of managing aircraft, maintenance and a range of large scale engineering projects.

Andrew Maude is Director of Property and Utilities. After graduating from University College, London, he has worked as a building surveyor and has worked extensively on the restoration and renovation of listed buildings in addition to designing many new build and pollution control works.

Clive Roberts is Engineering Director. After Imperial College, London, he worked for British Rail and subsequently joined Corus Rail Consultancy where he is managing the design team handling the Sunderland extension of the Tyne and Wear Metro.

Mark Flather is non-Executive Director and Safety Director. Now retired, he has many years experience in the road haulage industry as an operator and company owner. He is a community agent for South Yorkshire Passenger Transport Executive and a trained member of Peak Rail's operating team.

WENSLEYDALE RAILWAY PLC

THE DIRECTORS' REPORT

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

The directors present their report and the annual report and accounts of the company for the period from 20 October 2000 to 31 March 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period 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 and 2.

RESULTS AND DIVIDENDS

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

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

		Ordinary Shares of £1 each	
		At 31 March 2002	At 20 October 2000 or later date of appointment
K Cameron	(Appointed 20 November 2000)	6,000	-
S Handley	(Appointed 31 October 2000)	8,000	-
R Annison	(Appointed 31 October 2000)	8,000	-
C Brown	(Appointed 20 November 2000)	4,000	-
A Maude	(Appointed 20 November 2000)	4,000	-
C Roberts	(Appointed 20 November 2000)	4,000	-
M Flather	(Appointed 31 October 2000)	4,000	-
S T Deane	(Appointed 24 March 2001)	-	-
N Bullock	(Served 31 October 2000 to 28 August 2001)		
A P Ridge	(Served 20 October 2000 to 31 October 2000)		

The directors listed above all 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 on these shares is payable on demand. This amounts to £37,500.00 of unpaid share capital.

SHARE CAPITAL

During the period the company offered its shares to the public. At 31 March 2002 £877,850 of share capital was in issue.

WENSLEYDALE RAILWAY PLC

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

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 period ended 31 March 2002 were 29 days based on the ratio of company trade creditors at the period end to the amounts invoiced during the period 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:
Stamford House,
Piccadilly,
York,
North Yorkshire.
YO1 9PP

Signed by order of the directors



C BROWN
Director

Approved by the directors on 20 May 2002

WENSLEYDALE RAILWAY PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

Company law requires the directors to prepare 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 period and of the profit or loss for the period then ended.

In preparing those annual report and accounts, the directors are required to:

select suitable accounting policies, as described on page 11, 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 DIRECTORS

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

We have audited the annual report and accounts on pages 8 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 11.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 6, the company's directors are responsible for the preparation of the annual report and accounts in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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.

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 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 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 company's affairs as at 31 March 2002 and of the loss of the company for the period 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

20 May 2002

WENSLEYDALE RAILWAY PLC
PROFIT AND LOSS ACCOUNT
PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

	Note	Period from 20 Oct 00 to 31 Mar 02 £
TURNOVER	2	16,269
Cost of sales		13,265
GROSS PROFIT		<u>3,004</u>
Administrative expenses		264,620
Other operating income		2,046
OPERATING LOSS	3	<u>(259,570)</u>
Interest receivable		5,003
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(254,567)</u>
Tax on loss on ordinary activities		-
LOSS FOR THE FINANCIAL PERIOD		<u><u>254,567</u></u>

The company has no recognised gains or losses other than the results for the period as set out above.

All of the activities of the company are classed as continuing.

WENSLEYDALE RAILWAY PLC

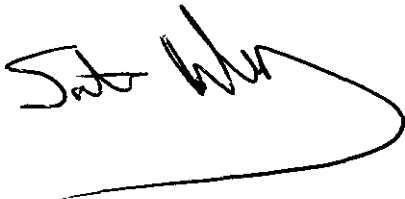
BALANCE SHEET

31 MARCH 2002

	Note	£
FIXED ASSETS		
Tangible assets	6	34,931
CURRENT ASSETS		
Stocks	7	1,660
Debtors	8	575,444
Cash at bank and in hand		57,156
		<u>634,260</u>
CREDITORS: Amounts falling due within one year	9	<u>(45,908)</u>
NET CURRENT ASSETS		<u>588,352</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>623,283</u>
CAPITAL AND RESERVES		
Called-up equity share capital	12	877,850
Profit and Loss Account		<u>(254,567)</u>
SHAREHOLDERS' FUNDS	13	<u>623,283</u>

These annual report and accounts were approved by the directors on the 20 May 2002 and are signed on their behalf by:

S HANDLEY



C BROWN



WENSLEYDALE RAILWAY PLC

CASH FLOW STATEMENT

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

NET CASH OUTFLOW FROM OPERATING ACTIVITIES		£
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(783,232)
Interest received	5,003	
	<hr/>	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		5,003
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(42,465)	
	<hr/>	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(42,465)
		<hr/>
CASH OUTFLOW BEFORE FINANCING		(820,694)
FINANCING		
Issue of equity share capital	877,850	
	<hr/>	
NET CASH INFLOW FROM FINANCING		877,850
		<hr/>
INCREASE IN CASH		<u>57,156</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period from 20 Oct 00 to 31 Mar 02 £
Operating loss	(259,570)
Depreciation	7,534
Increase in stocks	(1,660)
Increase in debtors	(575,444)
Increase in creditors	45,908
	<hr/>
Net cash outflow from operating activities	<u>(783,232)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase in cash in the period	£ 57,156
Movement in net funds in the period	<u>57,156</u>
	<hr/>
Net funds at 31 March 2002	<u>57,156</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 20 Oct 2000 £	Cash flows £	At 31 Mar 2002 £
Net cash:			
Cash in hand and at bank	-	57,156	57,156
	<hr/>	<hr/>	<hr/>
Net funds	-	<u>57,156</u>	<u>57,156</u>

WENSLEYDALE RAILWAY PLC
NOTES TO THE ANNUAL REPORT AND ACCOUNTS
PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

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.

Turnover

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

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:

Track and rail infrastructure	-	2% Straight line
Vehicles	-	25% Straight line
Equipment	-	25% 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.

2. TURNOVER

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

An analysis of turnover is given below:

	Period from
	20 Oct 00 to
	31 Mar 02
	£
United Kingdom	<u>16,269</u>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

3. OPERATING LOSS

Operating loss is stated after charging:

	Period from 20 Oct 00 to 31 Mar 02 £
Depreciation	7,534
Auditors' remuneration - as auditors	5,000
Operating lease costs:	
Land and buildings	3,052
Share issue costs	<u>90,856</u>

The company has spent a total of £90,856 on the issue of the ordinary share capital including legal, printing costs and advertisement of the public offer.

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	Period from 20 Oct 00 to 31 Mar 02 No.
Number of management staff	7
Number of sales staff	1
	<u>8</u>

The aggregate payroll costs of the above were:

	Period from 20 Oct 00 to 31 Mar 02 £
Wages and salaries	68,998
Social security costs	4,676
	<u>73,674</u>

5. DIRECTORS' EMOLUMENTS

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

	Period from 20 Oct 00 to 31 Mar 02 £
Emoluments receivable	<u>66,500</u>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

6. TANGIBLE FIXED ASSETS

	Track and Rail infrastructure £	Motor Vehicles £	Equipment £	Total £
COST				
Additions	10,768	30,279	1,418	42,465
At 31 March 2002	<u>10,768</u>	<u>30,279</u>	<u>1,418</u>	<u>42,465</u>
DEPRECIATION				
Charge for the period	171	7,186	177	7,534
At 31 March 2002	<u>171</u>	<u>7,186</u>	<u>177</u>	<u>7,534</u>
NET BOOK VALUE				
At 31 March 2002	<u>10,597</u>	<u>23,093</u>	<u>1,241</u>	<u>34,931</u>

7. STOCKS

	31 Mar 02 £
Stock	500
Finished goods	1,160
	<u>1,660</u>

8. DEBTORS

	31 Mar 02 £
VAT recoverable	3,393
Other debtors	572,051
	<u>575,444</u>

9. CREDITORS: Amounts falling due within one year

	31 Mar 02 £
Trade creditors	19,677
Other creditors including: PAYE and social security	8,617
Other creditors	9,498
Accruals and deferred income	8,116
	<u>45,908</u>

WENSLEYDALE RAILWAY PLC

NOTES TO THE ANNUAL REPORT AND ACCOUNTS

PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

10. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings £
Operating leases which expire:	
Within 1 year	<u>1,600</u>

11. RELATED PARTY TRANSACTIONS

The company was invoiced £31,329.64 (£3,594.62 for reimbursed expenditure) by the Handley Partnership during the period and an amount of £169.79 was outstanding at the period end. S Handley a director and shareholder of the company is associated with this enterprise.

The company also used the services of Elmtree Press during the period and was invoiced £5,822.92 there remains no balance owing at the end of the period. Nick Bullock a director during the year is connected to this enterprise

The company also used the services of Outhwaite Rope Makers during the period and was invoiced £ 1,054.94 (£284.81 for reimbursed expenditure) and an amount of £37.40 was outstanding at the period end. C R Annison a director and shareholder of the company is associated with this enterprise.

During the period S Handley, N Bullock, C R Annison, C Brown, A Maude and K Cameron were directors of TWRC Limited and WRC(P) Limited. The company has made loans to TWRC Limited for £213,327 and WRC(P) Limited for £314,031.

The directors are all committee members of the Wensleydale Railway Association, an association which helps fund the company's activities. During the year the Wensleydale Railway Association subscribed for 4,000 shares.

12. SHARE CAPITAL

Authorised share capital:

	31 Mar 02 £
10,000,000 Ordinary shares of £1.00 each	<u>10,000,000</u>

Allotted, called up and fully paid:

	31 Mar 02 £
Issue of ordinary shares	<u>877,850</u>

On 9 November 2000 a shareholder resolution was passed increasing the authorised share capital from £100 to £10,000,000.

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

At 31 March 2002, 877,850 had been issued with an amount of £37,500 unpaid.

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

WENSLEYDALE RAILWAY PLC
NOTES TO THE ANNUAL REPORT AND ACCOUNTS
PERIOD FROM 20 OCTOBER 2000 TO 31 MARCH 2002

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Mar 02
	£
Loss for the financial period	(254,567)
New equity share capital subscribed	877,850
Purchase of own equity shares	
Net addition to funds	<u>623,283</u>
Closing shareholders' equity funds	<u>623,283</u>