



OFFER DOCUMENT



LIGHTWEIGHT RAIL SOLUTIONS FOR
BRITAIN'S TRANSPORT CHALLENGES

CONTENTS

Executive summary	4
Aims and objectives	6
A new kind of leasing company	7
The product in four pieces	8
Business operation	9
Personnel	10
Financial projections	12
Potential locations	13
Risk factors and consequences	15
Investor information	16
Application forms	19

Front page illustration: artists impression of a railcar in LCT livery

EXECUTIVE SUMMARY

Name: Lightweight Community Transport Ltd

Registered with the Financial Services Authority as an Industrial and Provident Society for the Benefit of the Community, number 30451

Registered Office: 12 North Street, Stoke sub Hamdon TA14 6QP

Telephone: 0845 458 1473

Email: info@lctltd.co.uk

Website: www.lctltd.co.uk



What is the opportunity?

The development of light rail vehicles that do not require overhead lines and use hybrid drives to conserve energy has lowered the cost threshold for constructing and running local light rail services. Branch lines unused by conventional rail exist that provide ideal routes for this. A major barrier is the finance required by operators to invest in rolling stock. A light rail leasing company is the solution.

How do we hope to benefit the community?

Examinations of the climate change phenomenon all conclude that road traffic is a major cause. Policies to reduce fossil fuel use are likely to raise costs of urban driving and parking so as to encourage growth of bus, tram and local rail services. Of all forms of public transport, light rail with regenerative braking has the lowest impact per passenger mile. Other benefits include the connection of more communities to the national rail network, the relief of traffic congestion and the regeneration of smaller town centres.

What funding is required?

£240,000 start up funding, followed by a further £300K in year 2 and £400K in year 3. The funds will be used for the purchase of rolling stock and support for the development of the light rail projects where it will be used.

What are the financial returns to investors?

We expect to make modest payments of interest on shares issued at first, of between 2 and 3%. However, by year 5 we expect this to have risen to between 8 and 9% - close to the maximum that a Society for the Benefit of the Community is allowed to pay. All dividends will be dependent on the actual trading performance of the business. First round investors (before

March 2010) will be credited with additional shares to avoid dilution as the share capital increases, which we expect to lead to an internal rate of return in excess of 9%.

Who is running LCT?

The Directors are a group of experts drawn with a range of skills and experience across business, commerce, finance and transport: John Eckersley, Steve Deane, David Bathurst and Howard Johnston. The Chief Executive is Alex Lawrie, a Somerset-based social enterprise consultant.

Who is advising LCT?

Wrigleys Solicitors, Somerset Co-operative Services CIC and the Wessex Reinvestment Trust. Our bankers are Unity Trust Bank, Birmingham.

Why has the introduction of new rail services proved so difficult to bring about?

The public's preference for rail modes has already led to acute overcrowding on some routes and could get worse, but investment decisions are mainly made by public sector processes which are slow and risk-averse, and can disadvantage small initiatives.

How can the innovations help?

By reducing project scales and involving small, private organisations, cost saving innovations in rail technology and operating methods could be introduced onto privately-controlled lines that are only busy at weekends for leisure purposes. Also, the main national network owner is willing to consider giving access to existing freight and mothballed lines. These projects will pave the way for new line construction.

Where can this first be done?

There are examples in Scotland, Wales, Cornwall, Yorkshire, Gloucestershire and counties within the Midlands where existing non-passenger railways terminate at main centres of work and education, or at main line junction stations. London Midland have already commissioned one such service between Stourbridge Junction and Stourbridge Town, and some heritage rail operators are studying the feasibility.



What trials have been carried out?

Parry People Movers carried out three periods of extended trialling between 1993 and 2006, involving carriage of the public and culminating in a one-year exercise on a national rail network branch line involving 4,000 timetabled services (see photo on page 3). These provide valuable experience and have validated the claims of low cost, minimal environmental impact and passenger acceptance.

AIMS AND OBJECTIVES

Aims

Lightweight Community Transport will improve accessibility, quality of life and environmental sustainability by providing rolling stock and other services for new light rail routes in locations around the UK.

In particular we will:

- make possible a viable service for light rail operations, either by enabling improvements in profitability and convenience on an existing route, or a profitable new service
- achieve reductions in environmental impact relative to previous and competing transport options
- deliver a high quality passenger experience and good value for money
- empower and support social enterprises and community organisations in the areas that we operate in
- support services that are accessible to the widest possible range of passengers
- provide an opportunity for the public to invest in light rail, with a good likelihood of modest but significant financial returns

This is our promise to members, customers and employees: that where LCT faces a business choice, it will always prefer those options that are consistent with its aims.

Objectives (these are subject to revision if we do not achieve our targets for investment)

Phase 1 (2009)

- Begin detailed negotiations with suitable partners.
- Issue shares to the value of at least £240,000.
- Lease a railcar and run demonstration services in more than one location in the UK
- Ensure that
 - members of environmental and public transport advocacy groups,
 - community and heritage rail businesses,
 - rail operators, and
 - local authorities in targeted areasare well informed about our intentions.
- Commission a railcar for purchase

Phase 2 (Years 2010 - 2013)

- Supply permanent passenger services in at least two locations in the UK.
- Issue further shares to the value of £0.7M

Phase 3 (Years 2011 - 2015)

- Supply a regular passenger service in at least two further locations, with at least one project restoring rail services to a previously derelict route.
- Enter into detailed negotiations for the provision of a service that will require track to be laid, or other significant improvements to infrastructure.
- Work towards a steady improvement in the rate of return to investors, and make further share issues as required to finance further growth

A NEW KIND OF LEASING COMPANY

LCT will fill a gap in the transport market between the existing independent railway sector (unable to offer regular public services) and the national transport infrastructure (unsuited to consideration of small-scale, local schemes). It will gather funds from financial and social investors, building capital which will be used to purchase equipment and services to enable new 'lightweight' rail services to commence operation. Investors will benefit from interest payments generated from lease charges levied on the operators.

Lightweight Community Transport Ltd is constituted as an Industrial and Provident Society for the Benefit of the Community – a similar legal form to that used by Credit Unions and Building Societies. Industrial and Provident Societies are registered with the Financial Services Authority rather than with Companies House, and have long been regarded as a democratic and community-based vehicle for long term social investment.

Leasing of railway assets is not a new concept. Already adopted in some cases before privatisation of the British rail network, leasing became a major aspect of train operation when ownership of passenger rolling stock was split between three new Rolling Stock Leasing Companies [RoSCos]. This meant that the operating companies' finances were not distorted by capital investment in rolling stock assets with lives exceeding the length of franchises.

These three companies – Angel Trains, Porterbrook Leasing Company and HSBC Rail – have since expanded their activities into new markets, including freight locomotives and rolling stock, overseas train leasing and financing of non-rolling stock assets such as maintenance depots and station ticket barriers. Other leasing firms exist, but the original three RoSCos retain pre-eminent positions in the market.

LCT is aimed at a different market. Its customers are less likely to be large train operating companies managing rail franchises (though London Midland has already committed to using light rail of the type we propose in Stourbridge). They will include

- Heritage railways: Britain has an unusually high number of heritage or steam railways that, although generating income uniquely as a leisure activity, nonetheless form a link between reasonably-sized settlements, or between a town and an interchange with train services on the national rail network.
- Independent rail operators such as Wensleydale Railway or Dartmoor Railway
- New light rail operating companies such as Pre Metro Operations and Go! Co-operative.
- Community groups campaigning for new services and able to incorporate as a social enterprise

LCT will also be more closely aligned to its target market than the RoSCos and other conventional equivalents. Similar in scale to its customers and with its prime interest in relatively small-scale applications of lightweight rail, it will be a world away from leasing companies whose primary business concerns deals worth tens – if not hundreds – of millions of pounds. It will have specific expertise in the application of this technology and will be able to deal with potential operators as a partner and specialised provider of products and services in their particular field.

Lightweight rail is more affordable than conventional railways, giving it a much wider applicability and the ability to be funded by private sources. Its environmental performance is superior to all other modes of local public transport and the private car. And, crucially, it shares the attractiveness of electric tramways and light rail systems.

Investors will know that their funds will be used for:

- Reducing the environmental impact of economic activity;
- Increasing the sustainability of local communities through improved transport;
- Developing public transport links as an alternative to private car use;
- Returning rail corridors to passenger use;

With LCT, there is a new opportunity for change. LCT brings together social investors with community based rail projects to enable light rail to flourish in locations across the UK.

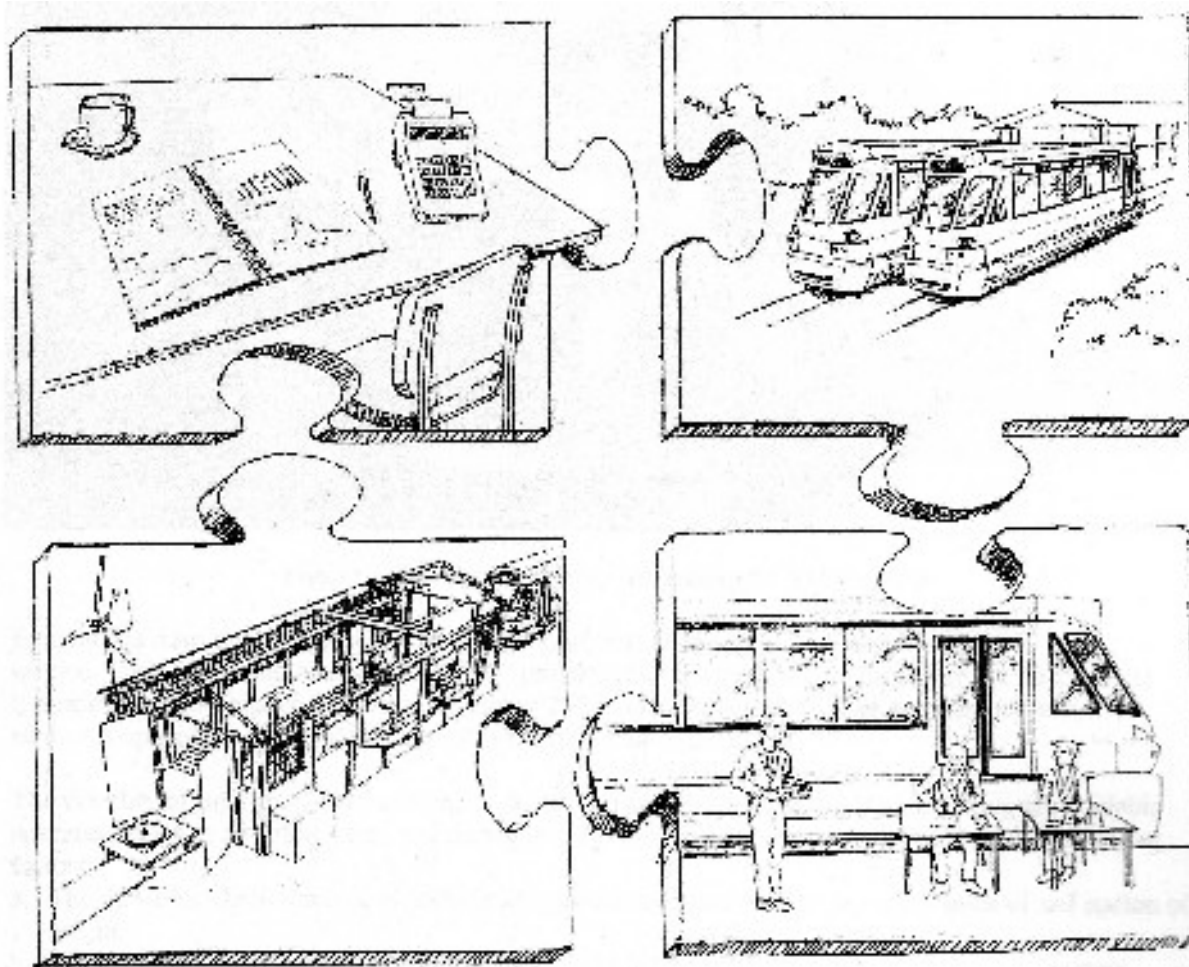
THE PRODUCT IN FOUR PIECES

Our customers will be rail operators – a business that wishes to provide a passenger service on the line in question. Most likely in the short term, however, is that most of LCT's customers will be heritage railways and other operators of independent branch lines that want to broaden their scope and provide a regular public service. In many cases, these community enterprises have access to existing track, retain an aspiration to provide public services, but lack the capacity to initiate such a service.

The new organisation closes this gap, by providing the principal missing elements that will enable a third-party operator, or the railway body itself, to equip itself with the physical and intellectual assets required to provide daily passenger services. These assets can be described under four broad headings. The customer in each case will decide which of the services they require, and which they have the capacity to deliver themselves.

LCT will prepare a bankable business plan that covers legal, technical, operational and commercial issues which determine the viability of the service. The cost would be repaid over the first three years of the operation, at a rate of interest typical for business finance.

LCT will lease the railcars necessary to provide the service required – typically two 60 passenger railcars. LCT will be responsible for the maintenance and (when necessary) replacement of the railcars. The operator need only concern themselves with their running.



The operator will require a solid, secure maintenance depot fully equipped for all eventualities which will keep vehicles permanently available for service over the lifetime of the service.

LCT will provide full training for the front line and backroom technical staff. This training covers both classroom and hands-on elements of railcar operation in public service. The costs can be repaid over three years.

Further services may be offered in the future, including track extensions, platforms and ticketing systems. However, we believe that these are the most urgently required products.

BUSINESS OPERATION

LCT will operate with minimal staffing, instead contracting in services as required. This will keep overheads low and allow specialist skills to be mobilised according to need. It is registered as an IPS Community Benefit Society, and will issue non-transferable shares up to the statutory limit (presently £20,000 – loanstock or unsecured loans may be used where members wish to make a larger investment) to raise investment. These shareholders will form the membership of the organisation, and will elect its board and pass resolutions to direct them at Annual General Meetings on a one member, one vote basis.

The founding Directors are individuals chosen for their wide experience and high standing within the public transport industry and/or the social investment movement. In future, any member of LCT will be eligible to stand for election as a Director, and LCT will encourage the development of ordinary members' capacity to do so.



The Directors will contract a suitable organisation to deliver secretariat and executive functions; a representative of the contracted organisation will be appointed as Chief Executive, and will be responsible for the day-to-day implementation of the Directors' wishes. Initially, this post will be part time, but as the activities of the organisation grow, it is expected that a full time, salaried Chief Executive will be appointed.

The organisation should act speedily to generate revenue to cover its outgoings – in the form of carefully controlled administrative expenses and continued marketing, publicity and business

activities. The payment of interest on deposited money may be held as an accruing expense until the cash flow from customer receipts overtakes the operating overhead.

Typically the project 'package' offered to customers will include:

- Loan finance for business planning and business development services, costing up to £8,000;
- Lease of two PPM 60 lightweight railcars plus spares, with a value of £700,000 (alternative models can be as little as £336,000 where only one is required);
- Lease of a fully-equipped depot for maintenance and secure storage, worth £60,000;
- Loans for the training of operating and technical support staff, costing £10,000.

This provision of a typical sum of £778K to the first operator of a new lightweight rail service will be funded initially from the cash assets of LCT, in stages over six months to a year (typically, expenditure on business planning and deposits on railcars will be paid out first, followed by training and then the final payment for railcars and depots). Once the operation has commenced, the system operator will be required to make monthly payments to LCT, replenishing its funds. Loan payments will normally be spread over three years.

With a typical project of this sort, lease payments are expected to amount to approximately £8,900 per month. This compares well to rail industry leasing charges, which are as much as 40% higher; bus hire, similarly, typically involves charges significantly higher in relation to the cost of the vehicle than this. The cheapest option – a single PPM30 – could be affordable to a service transporting as few as 50 people a day.

There will be a minimum defined period – typically ten years or more – over which the operator must undertake to lease from LCT, with payments rising in line with inflation. After this time, the operator will be at liberty to purchase their own railcars, or lease from another provider if one exists. However, we are confident that LCT will continue to be the supplier of choice. The physical assets, in particular the railcars which can be moved to another location and put into service, remain the property of the new organisation at all times, unless a transfer of ownership is agreed to the advantage of LCT.

PERSONNEL

The founding Directors are:

David Bathurst (below, right, on board a PPM 60 at the launch of LCT) was appointed Chairman of the Chasewater Railway in 1993, since which time he has led the Railway's all-volunteer management team through a period of major change. With the help of European funding and M6 Toll compensation, the Railway has invested in excess of £2m in capital projects and is now an acknowledged contributor to the area's visitor economy. Indeed, the Railway recorded nearly 58,000 passenger journeys during 2007.

David retired in 2000 from his employment as Commercial Services Manager with Walsall MBC, which proved invaluable when successfully progressing two compulsory purchase orders served on the Railway in connection with major highway schemes.

A railway enthusiast from boyhood, David's passion revolves around materials procurement, to help secure the Chasewater Railway's future. He makes no differentiation between high-level negotiations with Network Rail, and checking the contents of scrap skips, both of which activities have proved very fruitful over the years!

Steve Deane MSc CEng MIMechE (on the left in this photo) was brought up in Africa and trained at the RAF College Cranwell and Brunel University. He spent 35 years in the RAF specialising in aircraft maintenance, accident investigation, new aircraft projects, logistic support and training development. In the early '90s he became a volunteer on the campaign to reopen to passengers a 22 mile railway in North Yorkshire, eventually becoming Mechanical Engineering Director of Wensleydale Railway plc.

Amongst other tasks, he wrote and negotiated the Railway Safety Case, selected and procured the passenger trains and has overseen the provision of a reliable service since the passenger service began in 2003.

Howard Johnston has been active in the field of transport for almost his entire 40-year career. Based near Huntingdon, Cambridgeshire, he is Managing Director of both his own multi-faceted consultancy and management company, and LRTA (Publishing) Ltd. Trained as both a journalist and commercial manager, he was a regional newspaper editor for ten years, has worked in Fleet Street, and was a publishing director for worldwide company Emap.

Currently a steering group member of the private sector manufacturers' lobbying group the Light Rail Forum and a director of the Light Rail Transit Association, he is co-owner of benchmark publication Tramways & Urban Transit, and the promoter of the 2008 national United Voice Light Rail Conference in Nottingham and the Light Rail Awards at London's Café Royal.

A Past President of Huntingdon Cromwell Rotary Club, Howard devotes much of his spare time to renovating a Grade 2-listed home in Norfolk, extending his library of books, and supporting football.

John Eckersley

John is a graduate of Accounting and Finance, with a Financial Services Sector MBA and is a Fellow of the Securities & Investment Institute. He is a former President of the Manchester & District branch of the Securities & Investments Institute.

As a director of Henry Cooke Group plc and of its main operating subsidiaries - Henry Cooke Investment Funds Limited and Henry Cooke, Lumsden plc - he was responsible for establishing and building its separate fund management entity; mostly dedicated to the investment of money for



charitable entities. After acquisition by Brown Shipley in early 1999, John assumed the position of Head of Fund Management and Chief Investment Officer of Brown Shipley and eventually joined the Brown Shipley board as an Executive Director, representing the UK on the Investment Committee of its parent entity.

He left Brown Shipley with some close colleagues in 2002 to establish Castlefield Investments, where the concentration on the not-for-profit sector has deliberately continued to be at the forefront of the business. In his 'spare' time, he sits as a director of various entities including as a non-executive director of WTB Holdings - a national specialist building materials group.

Chief Executive

Alex Lawrie (second from right) is a founder member of Stepping Stones and Cornerstone Housing Co-ops, Footprint Workers Co-operative and Chapelton Credit Union, Yeovil Car Pool, Fairground SW (a community co-op) and Somerset Co-operative Services. He studied politics at Leeds University, worked for Yeovil College as a lecturer in IT, has received training in Fundraising and Training Skills from the DSC, and in Planning for Real from the Neighbourhood Initiatives Foundation (he is NIF training associate). He is the author of 'Empowering the Earth' (Green Books, 2000).



Development Manager

Kate Whittle (far right) has been working with social enterprises, both in the UK and overseas, for over 20 years. Since her return to the UK, after a few years working with rural co-operatives in the Dominican Republic, she has run training courses for a wide range of co-operatives and social enterprises. In 2003, along with colleagues Bob Cannell and David Dean, she set up Co-operative Business Consultants www.cbc.coop, with the aim of promoting co-operative and participative management methods and techniques. She has also served as a Director of the Phone Co-op.

Financial management

Sandfra Aldworth and Sarah Lawrie of Somerset Co-operative Services CIC are providing financial reporting and accountancy services.

Sandra Aldworth is a Chartered Accountant (qualified in 1986), and a member of the Tax and Finance and Management Faculties of the Institute of Chartered Accountants. She worked until October 2005 as the financial controller of The Castle Hotel, Taunton, and BRAZZ plc (turnover £5 million); before that she worked as financial controller or consultant for a number of businesses. She is a founder member of Somerset Co-operative Services, and is responsible for year end accounts for over fifteen social enterprises, in some cases also providing payroll and quarterly management accounts.

Sarah Lawrie is a part qualified accountant, previously finance manager at Wiltshire County Council. She has ten years experience of preparing accounts for social enterprises.

FINANCIAL PROJECTIONS

The main assumptions used for these projections were:

- inflation at 4% per year for services, 2% for manufacturing
- interest received on deposits at 1.5%; a £200K loan taken out in year 2, and larger loans (equal to roughly half the value of rolling stock purchased) in years 3 and four
- New services commencing in year 2, year 3, year 4 and year 5.
- Three share issues; one in year 1 raising £240K (sufficient for the first deposit on a railcar and working capital) and costing £8K; one in year 2 raising £300K and costing £10K; and a third raising £400K in year 5 and costing £3K.
- Occasional hire of railcars for the purposes of running demonstration services.
- Part time chief executive costing between £9000 and £11000 each year.
- Repayment of borrowing for business planning and training at 15% and 12% over 4 years.
- Profit margin of 30% on depot, business planning and training.
- Leasing charges set at levels significantly lower as a proportion of asset value than comparable leasing schemes, with a typical charge of £106K pa for two cars.
- Depreciation of main assets (railcars and depots) over 15 years, with a residual value of £30K.

These are considered possible and realistic, but should be understood to constitute only one of a wide range of possible future outcomes.

Accounts for the period ending 31st March 2009 are available on request.

Profit and Loss

	Year 1	Year 2	Year 3	Year 4	Year5
Turnover	726	81213	191328	373114	490797
Depreciation					
Total	0	0	37127	93731	175481
Overheads	17336	38365	71217	61547	58840
Dividends					
Shares issued	240004	300000	400000	550000	0
% return paid	2.50%	4.50%	6.50%	8.00%	8.50%
Share interest	2888	21600	54600	75200	134300
Total expenses	20223	59965	162944	230479	368621
Profit / loss	-19498	21248	28384	142635	32174
Corporation Tax	0	0	0	0	0
Trfr to reserves	-19498	21248	28384	142635	32174
Capital fund	240004	540004	940004	1490004	1580005
Reserve	-21364	2191	29957	168196	197872

POTENTIAL LOCATIONS

Bodmin and Wenford Railway – connecting Cornwall

The Bodmin & Wenford Railway (BWR) is a well established heritage railway. It has two lines running from Bodmin General station. The line to the south is approximately 3.5 mile long and connects with the mainline (and thus the national network) at Bodmin Parkway. The heritage line has its own dedicated platform, so light railcars could be clearly segregated from mainline trains. This would make the line suitable for the operation of light railcars.



To the north, the line extends for about 3 miles, terminating at Boscarne Junction which is adjacent to the well used Camel Trail. A separate organisation, the Bodmin & Wadebridge Railway Ltd (BWRL) hope to extend the line to Wadebridge including a community service, using modern, lightweight diesel units.

Building the extended line would involve laying track alongside the pedestrian/cycle trail that now occupies track-bed of the original railway, constructed in 1834 and of considerable

historic value. Given the ability to stop and start in the same way as a bus, light railcars could be considered an asset in the operation of a community railway and would present no great hazard to trail users.

Considering present concerns regarding emissions from private transport, the connection to Bodmin Parkway could be a worthwhile service even without the proposed extension.

Representatives of the BWRL have visited Parry People Movers and met with John Parry and his technical staff to discuss the concept and operation of a light railcar. Keith Waide-Bull, the project manager for Bodmin and Wadebridge, has said "Subject to the agreement of the Bodmin & Wenford Railway who own the track, the Bodmin & Wadebridge Railway is interested in having a PPM50 for the purposes of defining the unit's operational suitability in providing a community shuttle service. Should the trials prove satisfactory, a leasing arrangement for the rolling stock could suit us very well".

Wensleydale Railway – Bedale to Northallerton

The same railcar that provided a demonstration service at Stourbridge has also run as a short term demonstration between Leeming Bar (where the Wensleydale Railway is based) and Northallerton in 2005 (see the photo on page 4). Ruth Annison said "were very pleased with the two week trial of a Parry People Mover on the Wensleydale Railway in 2005. We were especially interested in the number of passengers - and the variety of their reasons for travel - on the short route into Northallerton, which helped to demonstrate the significance of this route for local journeys - and also for connections with train services on the East Coast main line."

The WR do not own the line themselves, but lease it from Network Rail. It is with their support that the WR are pursuing their ambition of a regular, frequent passenger service between Bedale and Northallerton. Crucially, this requires the last 500m of track leading to Northallerton station to be laid (marked in red on this photograph).



WR have already made substantial progress towards this, and are determined to see light rail operating full time as soon as possible. The route is substantial enough to require a larger car than was used at Stourbridge, so that it can carry the expected volume of passengers.

Ellesmere Port – the connection to Helsby

Ellesmere Port does have a railway station. However, at the present time, electrification has only reached the line running west from there – towards the Wirral and Liverpool. To the east, the line continues to the station of Helsby, from which services are available to Manchester and Chester.

At present this route does have an infrequent service, but it is far from ideal. The North Cheshire Rail User Group are keen to see a frequent shuttle service operate there, and are planning to form a not-for-profit company to take the project forward. It would also provide a valuable service to the communities at Stanlow and Elton.



Cedric Green, the group's Secretary, said “We would very much appreciate any assistance that Lightweight Community Transport can offer.”

Go! Co-operative – a partner for heritage rail

A new rail operator, named Go! Co-operative, is presently being funded by the Co-operative Group to develop a feasibility study for rail services outside the national rail franchises. This may involve 'open access' arrangements on Network Rail routes, and also light rail shuttles on independent branch lines.

Chris Phillimore of Go! said, “We are keen to work with independent railways to restore passenger services on branch lines that provide mainline connections. The possibility of leasing rolling stock from LCT would make this much easier.” They are in discussion with several railways, in particular Severn Valley railway where a service from Bewdley to Kidderminster would relieve pressure on the crowded roads; and Cholsey and Wallingford, where a short line links a substantial town to the rail network.

The new co-op would have a membership made up of both rail employees and passengers, giving both groups a say without either dominating. They are keen to make partnership with LCT the centrepiece of their business planning.

The Cambrian Railways Trust – putting Oswestry on the main line

The Cambrian Railways Trust has been involved in negotiations with Network Rail to make use of the disused line that links their heritage rail operation at Llyncllys with the main line at Gobowen. This passes through the town of Oswestry, which is home to the Cambrian Railway museum. Oswestry has already had first-hand experience of the lightweight rail concept: a small heritage-outline Parry People Movers railcar has provided a period of demonstration service within the town area and the vehicle currently resides in the museum operated by the Cambrian Railways Society.

Oswestry has not been part of the passenger rail network for 40 years, but the Trust is now finding substantial public sector support for the proposal. It would create a service running from Llyncllys through Oswestry to Gobowen, where a separate platform is available for the service. As a heritage organisation, the Trust is keen to maintain a period image and it would be possible for the railcars to be designed in an art-deco style that evokes the 1930s while still providing an efficient modern transport link to connect with the main line.

Henry Thomas of the Cambrian Railway Trust told us “we will be reviewing the project plan, which I hope will include opportunities for some sort of train running at Oswestry sooner rather than later. Your interest is very much appreciated, and hopefully we can be of assistance to each other.”

These are just some of the locations where this approach has potential – we are tracking over twenty where there are good grounds for thinking services can be run with little or no modification of infrastructure. In some of these cases, there is already local interest. As we develop a track record, many more prospects will arise by planning new lines.

RISK FACTORS AND CONSEQUENCES

Declining government support for the rail industry

This business model is not dependent on government support, as it relies principally on existing track and independent rail operators. However, if the government pulls back from the commitment to rail made in recent white papers, it would limit the opportunities for expansion into new build track, and also restrict the support from local government (for example, a lack of clarity from central government helped to stymie Leeds' 'Supertram' proposals).

Rising costs of rolling stock

Although the trends in recent years have been towards declining costs of manufactured goods, some specialist engineering has risen in price. If prices become too high, some potential customers may not have confidence that there will be sufficient passengers to support the service.

Lack of capacity within customer base

Most heritage lines are very competently run, and while they depend on a substantial volunteer base this if anything allows them to perform ahead of what might be expected for a business of their size. However, the move to running public transport services is a significant one and there is a danger that despite the support LCT is able to offer, some may lack the confidence or desire to proceed. This might require a lengthier process and more investment in development work, or might prevent a project developing at all if there is no local champion.

Failure of a customer's business

In the event of a catastrophic business failure, there is the risk of losses around the £15K mark. In addition, a business failure at any stage would provide us with an asset (spare railcars) but a significantly reduced income stream. LCT might support a new business to revive the route and rescue the enterprise, free from any debts or liabilities the previous business may have acquired, and with the benefit of hindsight. Alternatively, the failing business could be offered some relief on lease payments for a fixed period. If the business model had been proven to be flawed, however, it might be necessary to find an alternative use for the railcars.

Increasing use of private motor transport, declining use of public transport

Use of rail has dramatically increased in recent years, while use of buses has stagnated. There is considerable evidence that consumers regard light rail as more like the former than the latter, but an overall economic downturn could reduce traveller numbers. The trends for private cars are mixed: it is conceivable that the development of low carbon cars (perhaps electric) could prompt a renewed spate of roadbuilding and a move away from public transport. If such problems were widespread, LCT might find it difficult to employ all of its railcars. In the worst case scenario, railcars might need to be disposed of, possibly at a discount.

The directors are committed to using their best judgement to manage and minimise these risks.



INVESTOR INFORMATION

Returns to investors fall into one of two categories: social returns and financial returns. As a Society for the Benefit of the Community, our principal purpose is to deliver social returns. These include the reduction of carbon emissions and other environmental impacts from transport; increased mobility for communities we serve; accessibility to public services and amenities; and regeneration of smaller town centres. These will be assessed, and where possible measured, in social accounts that will accompany our annual accounts.

While we have taken every care to protect investments against risk and to realistically project future financial results, there is an unavoidable element of risk in any business investment. Interest payments will vary depending on the fortunes of the business, and the value of shares may be written down in the event that share capital plus liabilities exceeds the total assets. In order to illustrate the range of possible outcomes, we have modelled three scenarios which together span the range of possible risks.

Scenario 1

In our first scenario, the projections we have made in our business plan are borne out, with four light rail services in different locations in five years. We expect investment to be sought through three share issues, in years 1, 3 and 5. Normally, investment will be through the purchase of shares, but larger investments will be in the form of loanstock repayable after ten years.

Prior to investment being raised in year 5, a one-off interest payment in the form of additional shares will be agreed at a General Meeting: we anticipate this being 25% for year 1 shares, and 12.5% for year 3 shares. These additional shares will then attract interest on the same basis as other shares. We assume the investment is withdrawn after ten years:

	Year 1 issue		Year 2 issue		Year 3 issue
Year 1 month 6	-240004				
End of year 1	2888	Year 2 month 3	-300000		
End of year 2	10800	End of year 2	13500	Year 3 month 3	-400000
End of year 3	15600	End of year 3	19500	End of year 3	26000
End of year 4	19200	End of year 4	24000	End of year 4	32000
End of year 5	25500	End of year 5	28050	End of year 5	34000
End of year 6	25500	End of year 6	28050	End of year 6	34000
End of year 7	25500	End of year 7	28050	End of year 7	34000
End of year 8	25500	End of year 8	28050	End of year 8	34000
End of year 9	25500	End of year 9	28050	End of year 9	34000
End of year 10	25500	End of year 10	28050	End of year 10	34000
End of year 11	325505	End of year 11	358050	End of year 11	434000
IRR	9.5%		9.0%		8.3%

Scenario 2

This scenario results from the failure of the business to secure its first contract; no rail operator is willing to start a light rail service using this package. As a result, after three years, the remaining funds are returned to shareholders and the business is wound up. No railcars have been purchased. Although we consider this outcome unlikely, it is included as a 'worst case' scenario and illustrates the scale of potential losses if the business model proves unfounded.

	Year 1 issue		Year 2 issue
Year 1 month 7	-275004		
End of year 1	3106	Year 2 month 3	-30000
End of year 2	6875	End of year 2	750
End of year 3	206935	End of year 3	22574
IRR	-9.4%		-13.3%

Scenario 3

In this scenario, the first two services do begin but one fails after a year, leaving LCT with surplus assets. After a further year, during which LCT unsuccessfully attempts to find an alternative user, it sells the unused railcars at a heavy discount. Subsequent years do little more than maintain the remaining service. As in scenario 1, it is assumed that shares are withdrawn after ten years.

Again, we consider this highly unlikely. The possibility arises from income depending on customers that are themselves businesses that could fail. However, as we would expect to be closely involved at the business planning stage, it is unlikely that we would commit to a leasing arrangement with a business that did not have a high degree of certainty over its long term future.

	Year 1 issue		Year 2 issue		Year 3 issue
Year 1 month 7	-240004				
End of year 1	2888	Year 2 month 3	-300000		
End of year 2	10800	End of year 2	13500	Year 3 month 3	-250000
End of year 3	10800	End of year 3	13500	End of year 3	11250
End of year 4	0	End of year 4	0	End of year 4	0
End of year 5	5280	End of year 5	6120	End of year 5	5000
End of year 6	5280	End of year 6	6120	End of year 6	5000
End of year 7	5280	End of year 7	6120	End of year 7	5000
End of year 8	5280	End of year 8	6120	End of year 8	5000
End of year 9	5280	End of year 9	6120	End of year 9	5000
End of year 10	5280	End of year 10	6120	End of year 10	5000
End of year 11	245284	End of year 11	306120	End of year 11	255000
IRR	2.5%		2.4%		2.1%

INVESTMENT INFORMATION

Please Read this section carefully - it sets out the details of becoming a member investor.

Membership is open to individuals, corporate bodies, voluntary organisations and public sector investors. While you may hear about this business from other sources, you should make your decision based solely on the information in this document.

This document is issued by Lightweight Community Transport Limited, as an Industrial & Provident Society incorporated in England and Wales on the 15th January 2008 under the Industrial & Provident Societies Act 1965, registered number 30451.

Shareholdings

The minimum shareholding, which you can apply for under this prospectus, is £500 and the maximum is £20,000, except for other industrial and provident societies for which there is no maximum. Larger sums can be placed to Lightweight Community Transport Limited as donations, loans or loanstock.

Investors in Lightweight Community Transport are members, able to participate in the co-operative on a one member one vote basis.

Each share in Lightweight Community Transport has a nominal value of £1. Shares may be withdrawn subject to 180 days notice; this right of withdrawal can be suspended by the board, and is automatically suspended for the first three years of investment. All applications are subject to the terms set out in the Rules. In the case of joint investments all concerned must agree to a withdrawal. Shares will normally be repaid at the original price, but the Directors have the right to write down the value of shares, if the liabilities of Lightweight Community Transport Limited (and its share capital) should exceed the value of its assets. Shareholders who then withdraw their shares will only receive the written down value of their shares.

In the event of Lightweight Community Transport Limited ceasing to trade, shareholders will be repaid up to a maximum of £1 for every £1 share owned, once all creditors have been repaid in full. You may not benefit financially from your shares if we convert, or transfer our business or are wound up. The only financial benefits you may receive from your shares are the possibility of interest and the possibility of the return of the money you pay for your shares.

Nomination option

In the event of the death of a shareholder, the repaid value of the shares will normally be added to the estate for Probate purposes. You may (if you so wish) elect to nominate a recipient for the value of the shares (but only up to £5,000) and thus (under current legislation) remove the value of the shares (up to £5,000) from your estate for probate purposes (but not capital tax purposes).

Warning

You may lose the value of your shares. As an Industrial and Provident Society, Lightweight Community Transport Limited does not need to be authorised by the FSA to take deposits by issuing these withdrawable shares. It is not regulated, to the extent that it is taking deposits by issuing withdrawable shares. So, the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

Our shares are not "investments" for the purposes of the Financial Services Act 1986. So you do not have the level of protection that you might otherwise be offered by the Act. In particular, this document does not need approval (and has not been approved) by an "approved person" under Section 57 of the Financial Services Act 1986. This document is not regulated by the Prospectus Regulations 2005. Those regulations do not apply because there is a specific exemption for Industrial and Provident Societies.

Should Lightweight Community Transport Limited get into financial difficulties:

- We may have to suspend your rights to withdraw your shares
- We may have to write down the value of your shares
- You may lose all the money you pay for your shares

Can you afford to be without the money you pay for these shares? If not, do not buy them. If you are in any doubt about the information contained in this document you should consult an Independent Financial Adviser authorised under the Financial 4 Services Act 1986. The rules of Lightweight Community Transport Limited are available for inspection – please email info@lctld.co.uk.

Terms and Conditions for applying for Shares

You cannot withdraw your application for shares after we receive your application form. We do not have to accept your application for shares. We may decide not to issue shares to you. Or we may decide to issue to you fewer shares than you apply for. We do not have to give any reason for our decision.

Your application must be considered for approval at the next convenient Board of Directors meeting and these normally take place four times per year, and therefore you should not expect an immediate response.

We will acknowledge receipt of your cheque and application. We may cash your cheque as soon as we receive it. But until we issue shares to you, we will keep your money in a separate account. We will hold that money on trust for you until we issue shares to you.

We will return your cheque to you (within seven days of the Board of Directors meeting at which we consider your application) if we decide not to issue shares to you. If we decide to issue to you, fewer shares than you apply for, we will return the balance to you (within seven days of that Board of Directors meeting).

The money will belong to us (and we no longer hold it on trust for you) as soon as we issue shares to you (to the extent that we take it as payment for shares). We will not pay you interest on any money we return to you.

The law of England applies to these terms. The courts of England and Wales have non-exclusive jurisdiction. You will be bound by our rules (as may be amended from time to time) if we issue shares to you.

Your promises to us

You promise that: your cheque will be honoured on presentation; you, as an individual, are at least 16 years of age; you have authority to sign the application form (if you are signing it for another person) and you will show us evidence of your authority if we ask to see it; you will supply us with proof of your identity and address, if we ask for it (we may need this to comply with the Money Laundering Regulations 2003, and we may have to hold back your shares until we see it); you are a British citizen and UK resident.

APPLICATION FOR INVESTMENT

To become a member requires a minimum of 500 shares. Each share costs £1. Each shareholding member has one vote, regardless of the size of their shareholding. The maximum permissible shareholding is £20,000.

Applications must be received at the office of Lightweight Community Transport Limited, 12 North Street, Stoke sub Hamdon, Somerset TA14 6QP before 30th September 2009.

I/We wish to become a member of Lightweight Community Transport Limited in accordance with the rules, & apply for:

shares, and enclose payment for that amount (cheques payable to Lightweight Community Transport Limited).

In the case of joint applications, all applicants (up to 4 persons) must sign (please photocopy this form if there are more than 2 joint applicants).

Person 1

Person 2

Name

Address

Phone

Email

If you wish to nominate a person to whom you wish your shares to be transferred to on your death, please tick here: and complete a "Nominee Appointment Form".

Agreement

I am at least 16 years old. I agree to be bound by the Terms and Conditions included in the attached prospectus and the rules of Lightweight Community Transport Limited. I understand that the Society's Board may reject my application without further explanation.

Data protection & money laundering

The data provided by you on this form will be stored within a computerised database. This data will only be used for Lightweight Community Transport Limited purposes and will not be disclosed to a third party. It is a term of the offer that to ensure compliance with the Money Laundering Regulations 2003, Lightweight Community Transport Limited may at its absolute discretion require verification of identity from any person seeking to invest.

Signed as a deed

Person 1

Person 2

Signature

Date

Witness signature

Name and address
of witness

APPLICATION FOR CORPORATE INVESTMENT

To become a corporate member requires a minimum of 500 shares. Each share costs £1. Each shareholding member has one vote, regardless of the size of their shareholding. The maximum permissible shareholding is £20,000 except for other Industrial and Provident Societies. Applications must be received at the office of Lightweight Community Transport Limited, 12 North Street, Stoke sub Hamdon, Somerset TA14 6QP before 30th September 2009.

I/We wish to become a member of Lightweight Community Transport Limited in accordance with the rules, & apply for:

shares, and enclose payment for that amount (cheques payable to Lightweight Community Transport Limited).

Full Official Name

Address for correspondence

Registered number

Contact name

Telephone

Email

Agreement

We agree to be bound by the Terms and Conditions included in the attached prospectus and the Rules of Lightweight Community Transport Limited.

We understand that the Society's Board may reject our application and does not have to tell us why it has been rejected.

Data protection & money laundering

The data provided by you on this form will be stored within a computerised database. This data will only be used for Lightweight Community Transport Limited purposes and will not be disclosed to a third party.

It is a term of the offer that to ensure compliance with the Money Laundering Regulations 2003, Lightweight Community Transport Limited may at its absolute discretion require verification of identity from any person/organisation seeking to invest.

Signed as a deed

Director

Director / secretary

Signature

Name

for and on behalf of

Date

NOMINEE APPOINTMENT FORM

This form should only be completed if you wish to nominate a person to receive your shares on your death.

You can nominate a person to whom you wish your shares to be transferred on your death. We will respect those wishes (so far as the law and our Rules permit).

If you are a joint holder and you do not wish your holding to pass to the other joint shareholder(s) then you must complete this form. You may nominate a person to whom you wish your joint shareholding to be transferred on your death.

Name

Address

Phone

Email

I understand that it may not be possible for Lightweight Community Transport Limited (the Society) to action this request and I and my heirs will not hold the Society responsible for its actions.

I understand that these instructions can only be revoked or amended by my giving clear written instructions to the Secretary of the Society at the registered office.

I understand that trustees will need to be appointed if my nominee is under 16 years of age.
Signed as a deed

Signature

Date

Witness signature

Name and address
of witness