

Vintage Trains

Business Plan

November 2017

Disclaimer and Explanatory Note

This business plan has been prepared from information provided by the Trustees and Managers of Vintage Trains Charitable Trust to assist potential community subscribers to consider buying community shares in Vintage Trains CBS, a Community Benefit Society. This document is not a prospectus nor investment advertisement, financial promotion or offer under the Financial Services and Markets, Act 2000.

Consequently, neither the Trustees, Managers nor the advisers can accept responsibility for any losses arising to persons acting or refraining from action on the material contained in this business plan.

Persons considering a financial commitment of any kind should conduct such investigations as they consider necessary to satisfy themselves as to the appropriateness of the financial commitment and the risk of loss or some or all of any financial commitment.

Contents

1. Introduction and background	4
1.1 Purpose of the business plan	4
1.2 About Vintage Trains	4
2. The need for the share offer	6
2.1 Purpose of the share offer	6
2.2 What we will use the share offer funds for	6
2.3 Wider plans	7
3. Project Plan	8
3.1 Project timeline and delivery	8
4. Legal structure and governance	9
4.1 Legal structure	9
4.2 The board	10
4.3 The management team	12
5. Business model	13
5.1 Industry expertise	13
5.2 Operational structure and trading activities	13
6. Market analysis and demand	16
6.1 Overview	16
6.2 SWOT Analysis	17
7. Financial Information	19
7.1 Existing finances	19
7.2 Costs and funding	20
7.3 Share capital and interest	21
7.4 Alternative scenarios	22
7.5 Financial assumptions	22
7.6 Forecast financial statements	25
8. Community Plan	32
8.1 Community benefits	32
8.2 Member engagement	33
9. Marketing the share offer	34
10. Risks and mitigation	36

1. Introduction and background

1.1 Purpose of the business plan

This Business Plan has been developed by Vintage Trains Community Benefit Society (“the Society”).

It provides an overview of our plans to raise community shares by making the first public offer for a British publicly owned railway operating company running express steam trains on the main line railway network for over 100 years.

For more details about our Community Share Offer please read our Share Offer Document available at www.VintageTrains.co.uk

1.2 About Vintage Trains

Our vision

Express steam trains engineering a future for everyone.

Our mission

To create a main line heritage railway company for everyone, preserving the skills of the steam age to enable our collection of express steam trains to have a sustainable future and a real purpose working in everyday service as a tourist business.

Our achievements

We are amongst the pioneers promoting heritage express steam trains on the national railway network.

Over the last fifty years we have preserved a number of important express, mixed traffic and industrial steam locomotives, Pullman cars and other carriages, Great Western Railway wagons, workshop equipment, tools, drawings and spares. In particular, we have preserved: *Clun Castle*, the last Great Western Railway-designed Castle class express engine to operate in regular service; GWR pannier tank 7752, the last steam locomotive ever to run on a national network as London Underground's L94; *Earl of Mount Edgcumbe*, a second Great Western Railway Castle restored from scrap condition to become a 21st-century record breaker in its own right; and mixed traffic *Rood Ashton Hall*, restored to full running order by a team of young people in their 20s learning and putting into practice the skills of steam locomotive engineering.

We have built a well-equipped workshop and operating depot at our original Great Western Railway depot at Tyseley and gained an excellent reputation for our engineering skills. This enables us to continue the tradition of having working steam locomotives available for service every day in continuous unbroken service since 1908.

We promote express steam trains on the national railway network to Shakespeare's Stratford, the university spires of Oxford, the walled city of York, the undulating countryside of the Cotswolds and the Welsh Marches and, occasionally, we promote fast non-stop expresses recalling the great days of the past. We hold two open weekends a year at our Tyseley depot when everyone is welcome to come and look at our collection at close quarters in the environment of a working steam depot. We have achieved outcomes which many said were impossible.

We have done this through the prowess of our Tyseley Locomotive Works and the skills of our team, with good communication and by developing excellent relations with stakeholders in our community.

2. The need for the share offer

2.1 Purpose of the share offer

We offer a unique proposition. We will be the only publicly owned main line railway company in Britain operating express steam trains.

Vintage Trains and our founders are world pioneers in promoting express steam trains and have been successful in doing so for over 50 years. We have our own express steam locomotives, our own train of carriages, a skilled workshop and running depot at Tyseley and a tour promotion business, but we do not have our own licence to operate on the national railway network, so we rely on others to help us out.

We have applied for an operating licence, and to get this we need to demonstrate that we have the people and systems in place to run a safe railway service – which we believe we do – and also that we have the financial resource to run our trains sustainably; this is where this share offer comes in. Funds raised via this offer will allow us to create a train operating company and to maintain our fleet of locomotives and coaches to national railway standards.

We now want to take control of our own destiny and run express steam trains ourselves. Alongside this we will maximise the amount of public benefit that we can deliver from our activities, both nationally and around our depot at Tyseley in the City of Birmingham.

By doing this we will build an exciting future, and act decisively to protect Britain’s main line railway heritage, before the skills disappear forever. To support these core activities we will run training courses, undertake route conducting, trialling of new trains and provide spot driver hire.

As a licensed train operating company, we will be up there at the top table with all the franchise and freight operating companies, able to have our say in how the railways in Britain are run.

We are launching this share offer at an exciting time. There is renewed interest in British-owned companies trading with British-built equipment. We are planning to do just that! Also, the City of Birmingham has embraced tourism in its strategic economic growth plans. Greater Birmingham is experiencing a 15% per annum increase in tourism with 10.2 million trips to Shakespeare’s England and 4.5 million visitors to Birmingham’s Christmas market each year.

2.2 What we will use the share offer funds for

Vintage Trains Limited (“the Subsidiary”), a trading subsidiary which will be owned by the Society, will operate our express steam and heritage diesel trains running to popular tourist destinations.

We need to satisfy the Office of Rail and Road that we have

- a) the resources required to run trains reliably and safely;
- b) the qualified staff we need; and
- c) the working capital needed for a seasonal business.

The primary use of the £800k is to provide cashflow support to the subsidiary train operating company that will incur costs and liabilities from February 2018. This company will start to receive trading income later, when we hold the licence to operate and start running services. These funds will also enable us to develop our train refurbishment programme.

2.3 Wider plans

Whilst £800k is enough to get us started so we can run trains next year, our optimum and maximum target is £3m which will enable us to:

- Create a new kitchen car to help us serve more Pullman and First Class meals to a much higher standard of quality, making every train we run more viable;
- Upgrade carriages to offer increased disabled facilities, providing Access for All;
- Upgrade the safety and environmental systems on our carriages to surpass the current requirements;
- Create an on-train café bar and shop for Standard Class passengers;
- Improve the ambience throughout our train to appeal to the broadest possible range of passengers;
- Make further improvements to our Tyseley depot including creating a training, education and heritage centre, as detailed in our Community Plan;
- We will develop a variety of other projects, from an observation and bar car, further Pullman cars and adopt some of the stations on the Shakespeare Express route.

3. Project Plan

3.1 Project timeline and delivery

The majority of funds this share offer raises will be loaned to our subsidiary train operating company ("the Subsidiary"). The Subsidiary will be our licensed passenger train operator and will deliver the train services. In order to operate heritage express steam trains on the national railway network ourselves rather than rely on a third party, it is necessary to gain an operating licence from the Office of Rail and Road, which requires:

- A safety management system (already prepared);
- Confirmation that we are a 'fit and proper person' (our annual turnover and net asset value will so qualify);
- Public liability insurance (currently being quoted for and costed included in our financial model); and
- Qualified personnel (identified and to be hired subject to raising working capital).

The submission for the operating licence will be submitted in late 2017. An operating subsidiary is needed because the Office of Rail and Road require that the train operating company has a management board made up of people with industry experience. This will not necessarily be the case with the Society board as it will include members who do not have this experience. Secondly, the company form is most understood by the regulator and the wider rail sector, and so we believe that having the society as the parent entity, rather than the operating entity, is likely to be a more sensible strategy.

We are in advanced discussions with Network Rail for use of the track and stations, and with Vintage Trains Charitable Trust for supply of the trains and engineering service back up. Once the licence has been granted in the first quarter of 2018, the Subsidiary will then be able to enter into formal arrangements for both of these services.

The Subsidiary will cautiously build its activity levels from a gentle start in 2018, when we will run our existing summer Shakespeare Express programme, a small number of charter trains and a programme of local Christmas trains. 2019 will see a return to our current level of operations with additional charter trains, and 2020 will see a further increase in the number of trains to a level we perceive to be comfortably sustainable through to 2023 and beyond.

In parallel with this, additional non-passenger services will be offered to the railway industry, best utilising the additional staff resources the Subsidiary will take on. Most of our passenger services run at weekends, so significant weekday resources will be available, allowing a small new operator to take on tasks deemed non-core by the bigger players focused on their volume operations, such as testing new rolling stock before it can run as a passenger train.

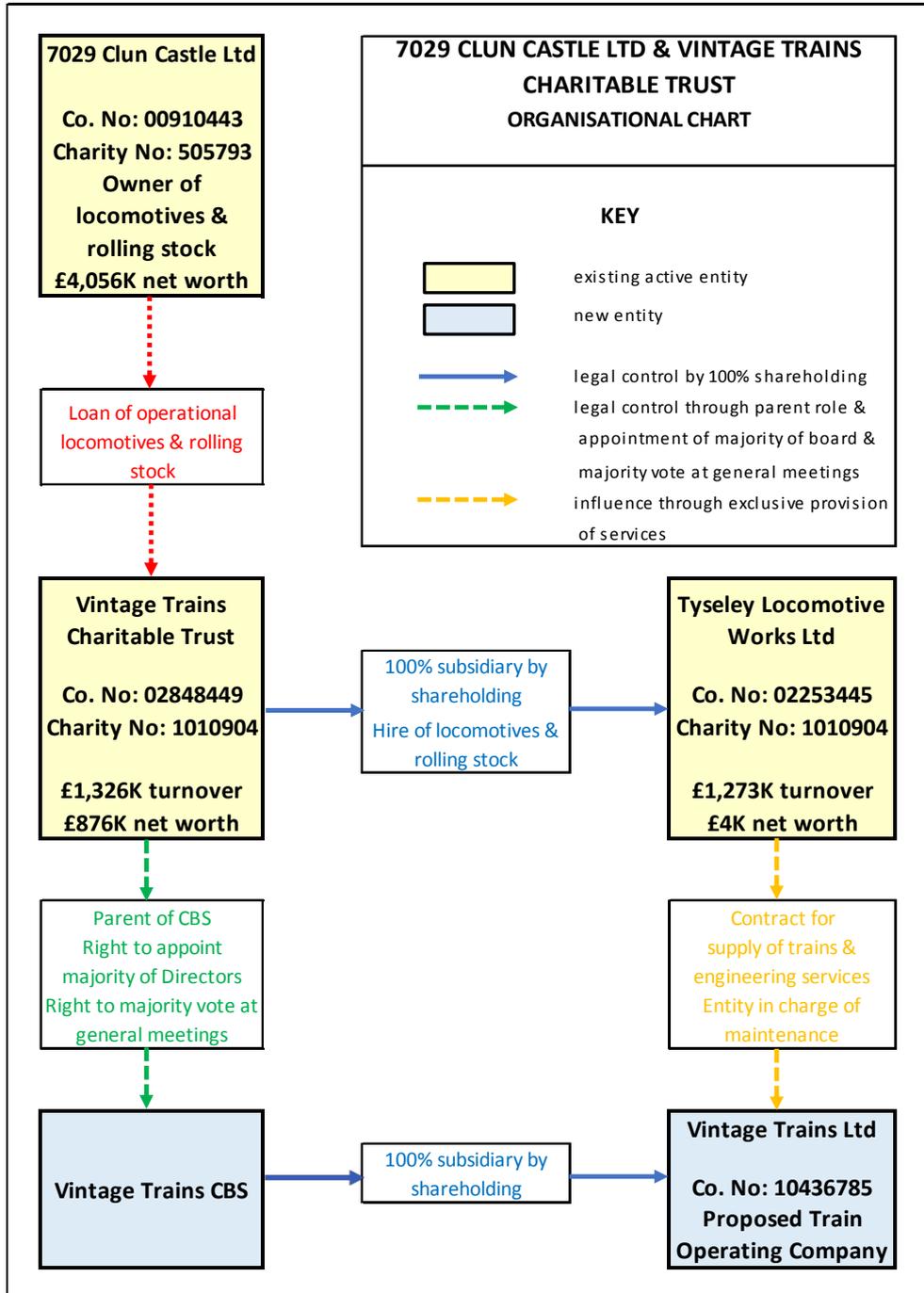
These activities will build at a sensible and manageable rate between 2018 and 2023. With developments planned for the mainline railway network over coming years, it is believed that our Subsidiary will have an ample supply of profitable work.

Vintage Trains CBS will also fund upgrades to our trains over the next six years. These will enable improved revenue generation by enhancing the customer experience, while achieving compliance with new legislation and environmental standards.

4. Legal structure and governance

4.1 Legal structure

The group legal structure is comprised of the following entities. The operating arrangements for each legal entity are further described in Section 5.



7029 Clun Castle Limited

7029 Clun Castle Limited, a charitable company, owns and leases the steam locomotives used by Vintage Trains Charitable Trust.

Vintage Trains Charitable Trust

Vintage Trains Charitable Trust (charity registration number 1040904) is a charity which encourages and promotes public interest in the preservation of steam and other railway locomotives and rolling stock, machinery and equipment of historical interest.

To ensure continuity of these aspects with the proposed operation of express steam and other trains by Vintage Trains Limited and fulfilment of the overall business plan and Community Plan, Vintage Trains Charitable Trust will be the Parent of the Society, entitled to appoint a majority of the board of directors of the Society, to be joined by others elected by and from our Members. Whilst each Member will have one vote (regardless of the number of shares they hold), Vintage Trains Charitable Trust will be entitled to have a majority vote on all matters.

Members will be able to elect up to 3 members of the Board of the Society, with the first elections coming at the first AGM of the Society in the autumn of 2019.

Tyseley Locomotive Works Limited

Vintage Trains Charitable Trust carries out its objectives through its wholly owned subsidiary, Tyseley Locomotive Works Limited, which will also provide depot and maintenance services to our proposed licensed train operating company, Vintage Trains Limited.

Vintage Trains CBS (“the Society”)

Vintage Trains CBS is a community benefit society registered in 2017 under the Co-operative and Community Benefit Societies Act with the Financial Conduct Authority (registration number:7668). It is a community-owned social enterprise and by subscribing for shares issued by the Society in this share offer you will become a Member.

Vintage Trains CBS has exclusively charitable objects and a charitable asset lock, preventing Members from making a capital gain by selling or closing the business for a profit. Therefore, it will never be able to become privately owned and taken out of community ownership.

Its objects are “for the public benefit to encourage and promote public interest in the preservation, repair, operation and maintenance of steam and other railway locomotives and rolling stock, machinery, equipment, buildings, depots and railway lines of historical interest owned or managed by the Parent.”

Vintage Trains Limited (“the Subsidiary”)

Vintage Trains CBS is the 100% parent organisation of Vintage Trains Limited, which is in the process of applying to the Office of Rail and Road for a licence to run passenger charter trains.

4.2 The board

The board members of Vintage Trains CBS will retain strategic oversight and management responsibility for the project, overseen by the board of Vintage Trains Charitable Trust. Operational responsibility will be delegated to the Subsidiary management team.

The board of Vintage Trains CBS is comprised of:

Michael Whitehouse (Chairman)

Michael is a lawyer with over 40 years' experience of advising on and delivering major transport and Public Private Partnership projects in the railway, maritime and defence sectors, formerly a partner in Wragge & Co LLP and part of that firm's management team. He has considerable experience with the political, economic, regulatory and contractual matrix relating to the operation of railways in Britain and ensuring that heritage express steam trains are safe and viable within that matrix.

Michael has been involved with heritage railways, nationally and internationally, for over 45 years. He led the initial development of the main line express steam train programme for Vintage Trains, designed The Shakespeare Express programme and spearheaded the public access policies for the Tyseley Collection and their implementation.

He is a past Chairman of the Ffestiniog Railway, the world's oldest independent railway, and the Welsh Highland Railway and advised on the groundbreaking Welsh Highland Railway re-creation, including developing a Memorandum of Understanding between the Ffestiniog Railway and Indian Railways relating to the tourist development of the Darjeeling Himalayan Railway.

He is also the controlling party within 7029 Clun Castle Ltd, a charitable company, which owns and leases the steam locomotives used by Vintage Trains.

Michael is responsible for leading Vintage Trains' strategic development and will be Chairman of both Vintage Trains Charitable Trust and Vintage Trains CBS. He will also represent the Society on the board of Vintage Trains Limited.

Adrian Shooter

Adrian was formerly founder and Chairman of Chiltern Railways. Adrian joined British Railways as an Engineering Management Trainee in 1970 and spent 12 years as an Engineering Manager running various train maintenance depots and helped to launch the Inter City 125 train. He later became Managing Director of Red Star Parcels, British Rail's Courier division competing head on with TNT and FedEx. He led a management buyout for Chiltern Railways, increasing the turnover tenfold to £150m, whilst operating as and making it the most punctual line with the best public perception for many years.

He is a trustee of Vintage Trains Limited. He also Chairs Vivarail Limited which is a producer of innovative new passenger trains, both diesel and battery powered, and owns a 2 foot gauge ex-Darjeeling Himalayan Railway steam locomotive No. 19, built in 1889.

Adrian will Chair the board of Vintage Trains Limited, the train operating subsidiary, so bringing to bear his very considerable experience operating trains on the national railway network safely and commercially.

Michael Gilbert

Michael has been a director of Vintage Trains Charitable Trust and Tyseley Locomotive Works for over 25 years. He is a Chartered Accountant and a retired PwC partner where he provided audit and advisory services to a cross section of entrepreneurial small- and medium-sized businesses, including due diligence, business acquisition and disposal activity. He has sat on the Council of The University of Birmingham as Treasurer. He has also served as Trustee on a number of other charitable bodies. He is currently a director of a small engineering group based in the Midlands and also a property management company.

Robin Coombes

Robin is a doctoral student at the University of Birmingham Centre of Rail Education and Research, researching governance of heritage railways. He was recently the Independent Chairman of the governance review of the West Somerset Railway Association.

Robin is a retired Chartered Architect and Consultant. He was a Rail Manager for 8 years at Network SouthEast and partner with a national architectural practice for 25 years, the last ten years as Chairman. He was founding partner of the environmental and economic consultancy ERES. Robin has served as a magistrate for 29 years.

He has a lifelong passion for steam railways, travelling over one million miles, and is perhaps best known for his innovative photography for which he has won several awards and been widely published.

Robin will be a representative for Members of the CBS.

4.3 The management team

The management team of the Subsidiary, Vintage Trains Limited, is comprised of:

Adrian Shooter (Chair)

Adrian Shooter will Chair our train operating company. We have secured a very senior manager with experience in British Rail, Network Rail and a Train Operating Company to become our Managing Director. Our management team will also be augmented by an Operations Standards Manager from a Train Operating Company who has previous experience as a Railway Safety Inspector and who holds steam and diesel driver and guard qualifications on a heritage railway.

Jim Kirkman

Jim is the Company Secretary and Treasurer and a former Chartered Accountant, is responsible for all our financial reporting, budgeting, compliance and accounts. He is also the Secretary and Treasurer of the parent charity, Vintage Trains Charitable Trust. He will also serve on the board of Vintage Trains Limited.

Ben Mason

Ben is the Business and Catering Manager, responsible for the promotion and delivery and passenger experience on all our charter trains, open weekends and public events. He was previously involved in the US telecoms sector and has brought his considerable experience to bear in developing our website and on line booking system. Ben manages our Pullman restaurant car and catering services and liaises with Vintage Trains Society's volunteers.

5. Business model

5.1 Industry expertise

The business model has been developed by the trustees of the Society and the management team of the Subsidiary, who have extensive experience of the industry through their involvement with the Society's parent, Vintage Trains Charitable Trust.

Vintage Trains Charitable Trust has many years' experience promoting trains and contracting with West Coast Railway Company, who have provided the services of a train operating company to date. We understand all the elements that make up the financial model and the safety and economic regulations which apply.

We also have a Trustee, Adrian Shooter, highly respected in the rail industry, who has run a train operating company and has significant experience of the other train services we plan to offer. Specialist guidance has been received with regard to the safety case and necessary formalities relating to the licence application with the Office of Rail and Road.

The Vintage Trains Charitable Trust management team has built a budget model for the existing charity which has been refined over many years with detailed support for both the engineering and train operations. It is therefore a very strong team that has provided the input and developed a highly detailed 6-year monthly financial spreadsheet model for the subsidiary.

It is supported by a programme of train services, whose routes, timings, mileages, revenues and costs, have been itemised individually based on successful past experience. Our sophisticated online booking system provides a wealth of information on passenger figures, occupancy, etc.

We have an enviable reputation for our activities, the quality of our output and reliability operating on the national railway network. It is paramount these are sustained together with access to the national railway network. We are the only entity (apart from West Coast Railway Company and Locomotive Services Limited) which promotes trains operated and owned by the same organisation from its own base which houses, repairs and maintains its assets.

We have received letters of support from key stakeholders such as Marketing Birmingham, National Railway Museum, the Office of Rail and Road Regulation and Birmingham City Council.

5.2 Operational structure and trading activities

The current and future operations of the legal entities in the group structure are as follows:

7029 Clun Castle Limited

7029 Clun Castle Limited owns and lends the Tyseley Collection of steam locomotives, rolling stock and equipment used by Vintage Trains Charitable Trust. The operational assets are lent to Vintage Trains Charitable Trust under a formal loan agreement, with conditions such as maintenance included in the agreement.

This loan agreement will remain in place if this share offer is successful and the passenger train charter licence is secured, with another agreement being set up between Vintage Trains Charitable Trust and the Subsidiary to hire the assets which will be maintained by Tyseley Locomotive Works. The Subsidiary will be the user of the assets, on a long-term basis with the same conditions such as maintenance.

Vintage Trains Charitable Trust and Tyseley Locomotive Works Limited

Vintage Trains Charitable Trust encourages and promotes public interest in the preservation of steam and other railway locomotives and rolling stock, machinery and equipment of historical interest. This is achieved by:

- Maintaining and restoring the collections of assets on loan from 7029 Clun Castle Limited.
- Operating heritage rail tours to a variety of interesting and well-known destinations (currently approximately 40 per year) through a third-party train operating company.
- Providing engineering services to the heritage railway sector and modern railway operators. Tyseley Locomotive Works Limited is the Entity in Charge of Maintenance, meaning that it is established to carry out maintenance on trains operating on the national network.
- Leasing a site from Network Rail including the engineering depot at Tyseley. All locomotives, carriages and equipment are stored at the depot, and all the engineering works are carried out there.
- Holding open days at the depot to showcase and demonstrate the collection of locomotives.

If the share offer is successful and the passenger charter train licence is secured, then the following changes will take place to these activities:

- The Subsidiary will enter into a long-term hire agreement with Vintage Trains Charitable Trust to lease the working assets in the Tyseley Collection, and will contract with Tyseley Locomotive Works to undertake all required maintenance.
- The Subsidiary will take over operation of the heritage rail tours. It will have its own train operating licence and so will not be reliant on a third party, although it is likely to contract with other train operating companies.
- Tyseley Locomotive Works will continue to provide engineering services, to both the Subsidiary to enable it to maintain the hired in assets, and to the heritage railway sector and modern railway operators when appropriate.
- Vintage Trains Charitable Trust will continue to lease the depot from Network Rail. It will be used to carry out engineering works for the Subsidiary and external customers, and part of the rent and rates will be recharged to the Subsidiary to house the leased collection of assets. Pursuant to the Community Plan, parts of the depot will be available for public activities and participation.
- The Society will promote open days at the depot.

Vintage Trains CBS (“the Society”)

The Society will be responsible for raising share capital via a community share offer. Once the offer period has closed, the majority of funds (approximately £2.8m) will be lent to the Subsidiary to enable it to commence operations.

The remaining funds (approximately £200k) will be retained in the Society to enable it to carry out its principal trading activity, the Community plan.

The open days have been carried out for a number of years and often with guest locomotives such as *Tornado* and *Flying Scotsman*, and have been extremely successful with local and regional residents and enthusiasts countrywide. People travel long distances to attend them, and have given them excellent feedback.

These will be carried out by the Society rather than the Subsidiary as they are a community activity rather than a train operating activity. We aim to build on what we already deliver, to give more people the opportunity to interact with the business and learn about the heritage. We will therefore develop a Community Plan to enable an expanded programme of activities. This will enable us to offer a variety of activities to suit the Society members, our volunteers and the local community.

A small staff team will be employed by the Society, made up of a manager, an assistant manager and an administrator. They will report to the Society board of trustees, and will be responsible for developing how we interact with our members, volunteers and community.

Vintage Trains Limited (“the Subsidiary”)

The Subsidiary’s principal activity will be to operate passenger trains on Britain’s national railway network.

The trading activities of the Subsidiary will be:

- Vintage Trains Tours: Operation of the heritage rail tours that are currently promoted by Vintage Trains Charitable Trust. The Subsidiary will have its own train operating licence and so will not be reliant on a third party. There will be scope to increase the number of tours.
- Coach rental: To facilitate the Christmas shuttle trains, the Subsidiary will need to refresh 6 coaches in the Tyseley Collection. Once refreshed, Vintage Trains will require the use of these coaches only for the month of December during the operation of the Christmas trains; the other 11 months of the year Vintage Trains will have limited use for them, so they can be rented out to other operators.
- Services provided to other operators: The Subsidiary will primarily operate passenger charter services on weekends, leaving drivers and other staff with available capacity during the weekdays. To make better use of this down-time, Vintage Trains will offer services to other Train Operating Companies on an ad-hoc hire basis.
- Third Party Ticket Sales: We have developed our own online ticketing system, allowing customers to make bookings over the internet. The Subsidiary will be able to provide this ticketing system to other operators.

To operate these activities a team of professional railway personnel will be hired, headed by a managing director. We have secured a very senior manager with experience in British Rail, Network Rail and a train operating company to become the managing director. The management team will also be augmented by an operations standards manager from a train operating company who has previous experience as a railway safety inspector and who holds steam and diesel driver and guard qualifications on a heritage railway.

All train operating costs, such as staff costs, Network Rail access charges, fuel and water, and insurance will be borne by the Subsidiary. Part of the rent and rates for the depot will be recharged to the Subsidiary from Vintage Trains Charitable Trust in return for housing the leased collection of assets.

6. Market analysis and demand

6.1 Overview

For over 20 years, Vintage Trains has offered a heritage express steam train experience, full of nostalgia and romance to a well-established marketplace. We see an opportunity to develop and expand this marketplace by offering an improved product, reaching out further afield and offering more services through a controlled and managed expansion.

We currently promote approximately 40 trains carrying 12,000 passengers annually, split between trains offering a whole day out to international destinations of interest, such as Oxford, York and North Wales. In addition, *The Shakespeare Express* steam train service operates on summer Sundays from Birmingham to Stratford. Both of these offerings are well established and run at an average of 85% capacity. The majority of passengers are domestic, originating within a short drive or train journey of our pickup stations, realising a catchment of 600,000 people. Much of our business is repeat bookings from satisfied customers.

We plan to repeat our successful core itineraries by adding additional pick-up points up to 1 hour further afield, increasing the immediate catchment ten-fold to over 6 million people. Doing so will allow us to incrementally increase our offering to 82 trains, slightly more than doubling the overall number operated annually over a period of three years.

We seek to increase our offering to international tourists through early ties with international tour companies, predominately from the Orient and Asia. With direct tourist flights from China and Asia, Birmingham is quickly becoming the starting point for many tourists looking to experience Britain for the first time. On every tourist's bucket list is Shakespeare's Stratford, offering the recently re-opened Shakespeare School Room & Guild Hall, Anne Hathaway's Cottage and the Royal Shakespeare Company; what better way to arrive than on a genuine steam train, *The Shakespeare Express*.

Midlands tourist attractions, such as the Severn Valley Railway, Cadbury World and the Sea Life Centre each receive some 200,000 visitors every year. As we increase our train operation to 82 trains per annum as planned, we will still only carry 35,000 people, albeit at a higher fare. Key stakeholders such as Marketing Birmingham and Shakespeare's England are keen to work with us to develop our market, further enhancing Birmingham as a top tourist destination. Tourism is one of the three key planks in the Midlands Engine economic growth strategy and the main plank of Shakespeare's England's strategy.

From December 2018, we will introduce a branded series of Christmas shuttle trains, running from a central Birmingham railway station in the heart of the Birmingham German market (which attracts 4.5 million visitors) to our Tyseley depot pursuant to a character franchise. Existing operators of such franchise trains elsewhere in the UK are limited to preserved railways in semi-rural settings with often difficult and overcrowded road links. Despite these challenges, they sell out all their trains within weeks of launch due to high demand. The franchisee is extremely keen for Vintage Trains to offer the Christmas experience from a central, mainline station.

Throughout the proposed operations programme, Tyseley Locomotive Works will be managing the upgrade of our train to enable Vintage Trains to offer an enhanced dining package to more seats. We know for a fact there is further demand for dining as we are routinely maintaining waiting lists for cancellations and unfortunately turning passengers away.

Furthermore other tour promoters (Steam Dreams, Railway Touring Company, A1SLT, etc) all currently have up to 200 dining seats and beyond compared with our own 114 / 130. All promoters are also looking at ways to increase dining seats to up to 300 per train to fulfil demand.

We have prepared more detailed plans for each of our target markets, including a detailed analysis of market trends and have designed our planned developments to respond to those trends.

6.2 SWOT Analysis

Strengths

- We are building on a firm charitable and sustainable foundation that has existed for 50 Years.
- We are well governed and managed by a strong core of people who are dedicated to our success.
- We have a dedicated volunteer organisation which underpins the operation of our trains.
- We have the support of the national railway industry, the Rail Regulator and the Heritage Railway Association.
- We have the support of the City and University and our activities address two core markets within the City's strategic plan: tourism and employment opportunities.
- We are considered the 'Gold-Standard' in the Heritage Railway Industry and are nationally known for our engineering standards and charter train promotion.

Weaknesses

- The carriages used on our heritage charter train are safe but tired and by 2020 will no longer remain compliant with modern industry standards unless we upgrade them.
- Our team is ageing and we need to increase and diversify our numbers.
- We are currently unable to operate our own trains as we are not a licensed operator.
- We earn a surplus of £200k annually through railtours and engineering; we do not have huge cash reserves and therefore must raise money from other sources.

Opportunities

- We are in the growing heritage marketplace based in the City with the fastest expanding tourism market in the UK and with tourism as one of the City's key growth drivers.
- The British railway industry helped expand the world and much of its carriage manufacturing took place in Greater Birmingham which also became the first Inter City railway hub in the world. As such we enjoy worldwide interest on which we will capitalise.
- We have an established market position both in heritage engineering and tourist charter train promotion. With capital improvements and by attracting the next generation to work with us we can significantly contribute to Greater Birmingham's economic growth and also widen our offering.

- We have the opportunity to establish the first publicly owned national train operating company which will enable us to control a much greater sphere of our activities than hitherto.
- The current market of people travelling on our trains is ageing. We must diversify and improve our offering to attract new markets which are clearly available from our Midlands base.

Threats

- We were reliant on a sole supplier to operate our trains; this proved to be high risk due to two recent inabilities of the supplier to provide services we had contracted.
- We need to raise sufficient capital through Community Shares in order to fund the establishment of our own licensed train operating company and refurbishing and upgrading our train. We have limited capital of our own.
- The skills required to maintain 80-year-old steam locomotives are being lost. We must pass-on the skill-sets to the next generation in order to keep these heritage machines operable.

7. Financial Information

7.1 Existing finances

The Society and Subsidiary were both incorporated in 2017, and so there are no existing finances for them. The existing business has operated through Tyseley Locomotive Works. Commercial trading income has come from mainline train passenger tickets, third-party engineering work, dining and buffet sales and open day events. Surpluses earned have been used to restore our collection of locomotives and rolling stock to national railway running standards in accordance with the aims of the charity, as well as to improve the specialist engineering facilities on site.

Surpluses are typically made each year, which are used for the maintenance of the locomotives and carriages. In the year ending 31 December 2016 the amount spent on maintenance exceeded the trading surplus for the year.

The enviable reputation of the engineering work means that repeat business comes from a customer base that has grown to 150 names with a significant forward order book and no bad debt issues. The supplier base runs to around 550 companies with relationships established over time and strengthened by both an excellent timely payment record and mutual respect

There is significant passenger loyalty and train revenues can be predicted with a great degree of certainty. Occupancy levels of around 85% have been consistently achieved, and our forecasting allows for the potential of a couple of cancelled trains each year due to network issues outside our control.

The consolidated profit and loss accounts for the past three years have been summarised below:

Vintage Trains Charitable Trust	£	£	£
Profit and Loss Account	31/12/2014	31/12/2015	31/12/2016
Income			
Commercial trading income	1,457,625	1,369,248	1,210,162
Grants	82,016	15,454	73,177
Museum and open days	33,418	43,130	71,614
Donations	2,500	2,500	7,332
Interest	21	8	8
	1,575,580	1,430,340	1,362,293
Expenditure			
Commercial trading operations	1,416,351	1,318,398	1,210,869
Preservation of locomotives	42,195	82,805	163,841
Governance	8,896	10,150	9,115
	1,467,442	1,411,353	1,383,825
Surplus/(Deficit)	108,138	18,987	(21,532)

The consolidated balance sheets for the past three years have been summarised below:

Vintage Trains Charitable Trust Balance Sheet	£ 31/12/2014	£ 31/12/2015	£ 31/12/2016
Fixed Assets			
Intangible assets	-	5,110	4,542
Tangible assets	419,575	350,550	331,097
	419,575	355,660	335,639
Current Assets			
Stocks	749,687	743,500	695,190
Debtors	79,319	174,295	115,783
Cash at bank	123,882	81,196	185,592
	952,888	998,991	996,565
Creditors			
Amounts falling due within one year	(275,836)	(242,480)	(250,009)
Net Current Assets	677,052	756,511	746,556
Creditors			
Amounts falling due after one year	(217,666)	(214,222)	(205,778)
Net Assets	878,961	897,949	876,417
Funds			
Unrestricted funds	878,961	897,949	876,417

Tangible assets are made up of freehold land, leasehold property improvements, trackwork, and plant and machinery. The stocks in current assets is the engineering work in progress on locomotives and rolling stock under restoration. The majority of short-term creditors is made up of trade creditors and ticket sales made in advance, and long term creditors are made up of deferred grants and a mortgage.

7.2 Costs and funding

Uses of capital

£2.8m of the £3m raised by the Society will be lent to the Subsidiary to enable it to commence trading. The loan terms will mirror the share offer terms: interest free and without repayment until the Subsidiary is in net worth, with 2% interest and repayment thereafter at the discretion of the board. £200k will be retained by the Society and used to provide working capital to enable it to commence its own trading activities.

The loan will not be secured against the subsidiary's assets because firstly the subsidiary will be wholly-owned by the society, and secondly, the subsidiary does not have any tangible assets to secure the loan against. The rolling stock will be leased, and the licence from ORR will not be a

tradeable asset, as it will be dependent on the wider staffing and operations infrastructure of the subsidiary. That leaves the cash the subsidiary has, which will be overwhelmingly derived from passenger fares paid in advance and which we do not believe should be used as loan security.

The £2.8m lent to the Subsidiary will be used as follows:

- £623k working capital for the first two years of operations, to allow for trading losses as trading commences.
- £2,177k capital expenditure on the collection of assets that will be hired from Vintage Trains Charitable Trust. The total capital expenditure has been forecast as £2,272k over the first three years of operations (2018 to 2020), and the remaining £95k will be funded from the Subsidiary's reserves as it moves into a positive trading cashflow by 2020. This is part of a 6-year programme of capital expenditure which has been developed, which totals £2,796k, and is made up of the following:

Capital Improvement	£'000
Improvements to leasehold offices, toilets and telephone system	75
Telephone system/IT upgrade	10
Set for Christmas train	110
Web-site and ticketing system for Christmas train	20
Waste handling facility	50
Work on Christmas locomotive including air-braking	25
Work on Christmas train	205
Improvements to charter fleet	75
Fit disabled access toilet to 9101 BSO	40
Controlled Emission Toilet design & fit x2 to Pullman 99361	50
Controlled Emission Toilet x 26 to 16 vehicles	520
Electrical upgrade modifications for 15 vehicles	150
Central door locking fitment to 17 vehicles	170
Dual braking design & fitment to 8 vehicles	280
Kitchen car	250
Pullman car "Eagle"	100
Generator sets	200
VAT on the above	466
TOTAL	2,796

Sources of capital

The primary source of start-up capital will be the community share issue.

The only other source of funds for the Society or the Subsidiary is a £90k donation from Vintage Trains Charitable Trust to help the society with staff costs in the first year of operations.

7.3 Share capital and interest

The Subsidiary is expected to achieve a break-even position in the third year of operation (i.e. 2020) and move into positive net worth in 2023. We propose to offer Members non-compounding interest from the next year, 2024, at 2%. The payment of interest is only possible in the light of trading performance.

When we move into positive net worth and begin to pay interest to our Members in 2024, we may move to an open share offer to encourage new members who want to be part of the Vintage Trains community, and we would seek to make that new capital the primary source of capital for withdrawal by existing Members.

There are no current plans to raise additional share capital beyond the £3m target, but new opportunities may well arise for Members to consider.

Although the Society is loss making, we anticipate gift aiding profits from the Subsidiary once it is in positive net worth. This is possible due to the charitable status of the Society, and will result in the Society's cumulative loss reducing from 2024 onwards.

7.4 Alternative scenarios

We have put in place arrangements should we fail to reach our optimum target. If we only reach our minimum share target, the project will still be viable but we would need to strip out or substantially delay all the capital expenditure, which would reduce the revenue achievable from each train we run.

Under this scenario, our model indicates that we will still have a viable operating model, but our profit margins and reserves will be under greater pressure therefore putting the business under more stress, and exposing subscribers to more risk. The Subsidiary will take a longer time to move to positive net worth, and so withdrawals and share interest will be more restricted under this scenario.

7.5 Financial assumptions

The financial model is driven by numerous assumptions, the most important of which have been listed below.

The Society: Revenue Assumptions

The revenue from open days is expected to carry on from the current levels as operated by Vintage Trains Charitable Trust. We have forecast a 10% increase in revenue year by year to take into account the additional interest and activity arising from the community share offer and the community development plan.

The Society: Expenditure Assumptions

The majority of expenditure in the Society is made up of the following:

- Open day expenditure is assumed to be 50% of open day revenue, as per current levels.
- A manager, an assistant manager and administrator will be employed from early 2018.
- A marketing budget of £250k has been forecast, for both the promotion of the share offer and to market the expanded number of tours available.
- Start-up costs such as equipment of £20k and governance fees of £16k in year 1.

The Subsidiary: Revenue Assumptions

Vintage Trains Tours

The Subsidiary will cautiously build its activity levels from a gentle start in 2018, when we will run our existing summer *Shakespeare Express* programme, a small number of charter trains and a

programme of local Christmas trains. 2019 will see a return to our current level of operations with additional charter trains, and 2020 will see a further increase in the number of trains to a level we perceive to be comfortably sustainable through to 2023 and beyond.

The forecast programme of tours includes the Christmas specials; Christmas experience tours which operate in the same way as the Vintage Trains tours, but need an external licence for use of branding, and require additional costs such as an enhanced ticketing system. These tours are more profitable than others, and give us the potential to sell souvenirs.

The summary programme of tours is as follows. The revenue forecasts are supported by a programme of train services, whose routes, timings, mileages, revenues and costs, have been itemised individually based on successful past experience, along with information from our online booking system such as passenger figures and occupancy.

Illustrative Passenger Charter Series	Locomotives used	2018	2019	2020
Steam Charters	Tyseley Steam & Guest Steam	7	29	39
<i>Shakespeare Express</i> (Steam from Birmingham to Stratford upon Avon and return)	Tyseley Steam & Guest Steam	10	10	11
Evening Dining Trains	Tyseley Steam & Guest Steam	-	3	16
Christmas Trains	Tyseley Steam	16	16	16
	Total (Days)	33	58	82

Coach Rental

As part of the carriage refurbishment work, some trains will be refurbished to make them air braked. These carriages are used for the Christmas Specials, and so will be rented out for the 11 months of the year that they are not in use.

Non passenger services

There is an industry shortage of experienced drivers, so we have identified significant demand to hire our drivers to carry out the following services:

- Route conducting for other operators
- Route conducting for on track operators
- Driver training days
- Driver hire to other operators
- Third party driver training and additional testing of new trains for other operators

Vintage Trains has been approached by other railway tour organisers, and these discussions have been used to create the Third Party Ticket Sales revenue forecasts.

Management charge to Tyseley Locomotive Works

The Subsidiary's managing director will spend 2/3 of his time working on the Subsidiary, and 1/3 of their time on Tyseley Locomotive Works Limited. 1/3 of the payroll cost will therefore be recharged.

The Subsidiary: Expenditure Assumptions

Staff costs

Staff will be hired over the first six years of operations as follows:

Direct Costs	2018	2019	2020	2021	2022	2023
Operations Director	1	1	1	1	1	1
Driver Managers	2	2	2	2	2	2
Drivers	1	2	2	2	2	2
Guards Team Leader	1	1	1	1	1	1
Guard	0	0	1	1	1	1
Commercial Director	1	1	1	1	1	1
PR / Charter Manager	1	1	1	1	1	1
Customer Services Ticket Agent	1	2	4	4	4	4
Train Manager / Ticket Agent	1	1	2	2	2	2
Overheads						
Managing Director	1	1	1	1	1	1
Book Keeping / Ticket Agent	0.5	0.5	1	1	1	1
Total staff	10.5	12.5	17	17	17	17

Other Direct Costs

These costs have been calculated on a train by train basis, using similar sources as the revenue forecasts, such as the programme of train services and online booking system:

- Catering
- Direct Promotion
- Loco and Coach hire
- Network Rail Access Charges
- Royalties/Christmas Commission
- Fuel and Water

Other Overheads

- Rent and rates: Vintage Trains Charitable Trust will recharge 50% of the cost it incurs.
- Insurance: Quotations have been received from insurers based on the level of operations.
- Depreciation: Assets are depreciated over:
 - 5 years for Christmas train improvement works
 - 10 years for all other train improvement works
 - 15 years for leasehold improvement works

7.6 Forecast financial statements

The following financial statements have been extracted from our 6-year financial model. We have established this model based on 20 years' experience of promoting heritage passenger charter trains, and it will be reviewed in detail by the Office of Rail and Road Regulation in order to secure a passenger charter train licence.

Vintage Trains CBS

Income & Expenditure Account

	2018	2019	2020	2021	2022	2023
Income	£	£	£	£	£	£
Donations received	80,055	9,945	-	-	-	-
Open Days	60,000	66,000	72,600	79,860	87,846	96,631
	140,055	75,945	72,600	79,860	87,846	96,631
Expenditure						
Manager	31,295	34,140	34,140	34,140	34,140	34,140
Assistant Manager	22,760	22,760	22,760	22,760	22,760	22,760
Administrator	11,380	11,380	11,380	11,380	11,380	11,380
Marketing	146,000	104,000	-	-	-	-
Other professional fees	16,000	-	-	-	-	-
Equipment & materials	25,000	5,000	5,000	5,000	5,000	5,000
Memberships	3,000	3,000	3,000	3,000	3,000	3,000
Publicity & promotion	5,000	5,000	5,000	5,000	5,000	5,000
Contingency	5,000	5,000	5,000	5,000	5,000	5,000
Legal & accountancy fees	12,200	12,300	12,400	12,500	12,600	12,700
Open Day costs	30,000	33,000	36,300	39,930	43,923	48,315
	307,635	235,580	134,980	138,710	142,803	147,295
Net Profit	(167,580)	(159,635)	(62,380)	(58,850)	(54,957)	(50,665)
Profit and Loss Brought Forward	(21,000)	(188,580)	(348,215)	(410,595)	(469,445)	(524,402)
Profit and Loss Carried Forward	(188,580)	(348,215)	(410,595)	(469,445)	(524,402)	(575,066)

Vintage Trains CBS Balance Sheet

	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
	£	£	£	£	£	£
Current Assets						
Cash at bank and in hand	1,599,420	676,785	39,405	5,555	100,598	199,934
Loans to Vintage Trains Limited	1,225,000	1,975,000	2,550,000	2,525,000	2,375,000	2,225,000
	2,824,420	2,651,785	2,589,405	2,530,555	2,475,598	2,424,934
Current Liabilities						
Marketing	13,000	-	-	-	-	-
	13,000	-	-	-	-	-
Total assets less current liabilities	2,811,420	2,651,785	2,589,405	2,530,555	2,475,598	2,424,934
Share Capital and Reserves						
Share Capital	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Profit & Loss Account	(188,580)	(348,215)	(410,595)	(469,445)	(524,402)	(575,066)
	2,811,420	2,651,785	2,589,405	2,530,555	2,475,598	2,424,934

Vintage Trains CBS Cashflow Forecast

	2018	2019	2020	2021	2022	2023
	£	£	£	£	£	£
Income						
<i>Financing</i>						
Share issue - gross receipts	3,000,000	-	-	-	-	-
Donations received	80,055	9,945	-	-	-	-
Funds repaid by Vintage Trains Limited	-	-	250,000	25,000	150,000	150,000
<i>Trading</i>						
Open Days	60,000	66,000	72,600	79,860	87,846	96,631
	3,140,055	75,945	322,600	104,860	237,846	246,631
Expenditure						
<i>Financing</i>						
Funds loaned to Vintage Trains Limited	1,225,000	750,000	825,000	-	-	-
<i>Trading</i>						
Payroll	65,435	68,280	68,280	68,280	68,280	68,280
Marketing	154,000	117,000	-	-	-	-
Other professional fees	16,000	-	-	-	-	-
Equipment & materials	25,000	5,000	5,000	5,000	5,000	5,000
Memberships	3,000	3,000	3,000	3,000	3,000	3,000
Publicity & promotion	5,000	5,000	5,000	5,000	5,000	5,000
Contingency	5,000	5,000	5,000	5,000	5,000	5,000
Legal & accountancy fees	12,200	12,300	12,400	12,500	12,600	12,700
Open Days	30,000	33,000	36,300	39,930	43,923	48,315
	1,540,635	998,580	959,980	138,710	142,803	147,295
Net Cash Flow	1,599,420	(922,635)	(637,380)	(33,850)	95,043	99,335
Made up of:						
Financing Cashflows	1,855,055	(740,055)	(575,000)	25,000	150,000	150,000
Trading Cashflows	(255,635)	(182,580)	(62,380)	(58,850)	(54,957)	(50,665)
Net Cash Flow	1,599,420	(922,635)	(637,380)	(33,850)	95,043	99,335
Cash Balance Brought Forward	-	1,599,420	676,785	39,405	5,555	100,598
Cash Balance Carried Forward	1,599,420	676,785	39,405	5,555	100,598	199,934

Vintage Trains Limited
Income & Expenditure Account

	2018	2019	2020	2021	2022	2023
	£	£	£	£	£	£
Income						
Passenger Services	966,792	1,922,432	2,935,682	2,935,682	2,935,682	2,935,682
Non-passenger Services	97,500	182,310	215,910	317,510	357,510	417,510
Other income	47,986	52,348	52,348	52,348	52,348	52,348
	1,112,278	2,157,090	3,203,940	3,305,540	3,345,540	3,405,540
Direct Costs						
Staff costs	559,177	734,902	861,449	861,449	861,449	861,449
Train running costs	545,039	1,178,812	1,728,880	1,728,880	1,728,880	1,728,880
	1,104,216	1,913,715	2,590,329	2,590,329	2,590,329	2,590,329
Gross Profit	8,062	243,375	613,611	715,211	755,211	815,211
Overheads						
Staff costs	164,702	168,765	180,487	180,487	180,487	180,487
Other costs	211,755	241,531	244,899	248,285	248,690	249,116
Depreciation	16,729	70,750	119,250	122,750	126,250	129,750
	393,186	481,046	544,635	551,522	555,427	559,353
Net Profit	(385,124)	(237,671)	68,976	163,690	199,784	255,858
Profit and Loss Brought Forward	-	(385,124)	(622,795)	(553,819)	(390,129)	(190,345)
Profit and Loss Carried Forward	(385,124)	(622,795)	(553,819)	(390,129)	(190,345)	65,513

Vintage Trains Limited

Balance Sheet

	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
	£	£	£	£	£	£
Fixed Assets						
<i>Intangible Assets</i>						
Train Operating Licence	121,810	121,810	121,810	121,810	121,810	121,810
<i>Tangible Assets</i>						
Premises	78,125	70,625	63,125	55,625	48,125	40,625
Christmas Train	267,958	229,708	187,958	142,708	93,958	41,708
Charter Fleet	69,688	602,188	1,435,688	1,575,188	1,714,688	1,662,188
	537,581	1,024,331	1,808,581	1,895,331	1,978,581	1,866,331
Current Assets						
Trade Debtors	30,600	44,862	49,182	69,502	77,502	89,502
VAT Recoverable	31,012	46,711	44,900	41,547	40,887	36,694
Loan to Tyseley Locomotive Works	-	125,000	-	-	-	-
Cash Available For Trading	342,309	223,143	209,065	244,038	203,232	413,533
Ticket Monies Ringfenced	107,121	216,508	216,508	216,508	216,508	216,508
	511,042	656,224	519,655	571,595	538,129	756,238
Current Liabilities						
Trade Creditors	75,291	82,573	82,601	82,601	82,601	82,601
PAYE/NI	19,122	21,289	24,197	24,197	24,197	24,197
Pension	7,113	7,881	8,649	8,649	8,649	8,649
Ticket Sales in Advance	107,121	216,508	216,508	216,508	216,508	216,508
	208,647	328,250	331,955	331,955	331,955	331,955
<i>Net Current Assets</i>	302,395	327,974	187,700	239,640	206,174	424,283
Long-Term Liabilities						
Loan from Vintage Trains CBS	1,225,000	1,975,000	2,550,000	2,525,000	2,375,000	2,225,000
Total Assets Less Total Liabilities	(385,024)	(622,695)	(553,719)	(390,029)	(190,245)	65,613
Share Capital and Reserves						
Share Capital	100	100	100	100	100	100
Profit & Loss Account	(385,124)	(622,795)	(553,819)	(390,129)	(190,345)	65,513
	(385,024)	(622,695)	(553,719)	(390,029)	(190,245)	65,613

Vintage Trains Limited

Cashflow

	2018	2019	2020	2021	2022	2023
	£	£	£	£	£	£
Income						
<i>Financing</i>						
Loans from Vintage Trains CBS	1,225,000	750,000	825,000	-	-	-
Maintenance loan repaid by TLW	-	-	250,000	-	-	-
<i>Trading</i>						
Management charge to TLW	47,986	52,348	52,348	52,348	52,348	52,348
Passenger Trains	1,077,113	1,969,020	2,872,882	2,872,882	2,872,882	2,872,882
Non-Passenger Operations	86,400	270,510	320,772	426,692	487,012	555,012
VAT Recoverable	156,638	268,311	450,469	293,569	282,957	236,175
	2,593,136	3,310,189	4,771,471	3,645,491	3,695,199	3,716,417
Expenditure						
<i>Capex</i>						
Capital expenditure	519,000	669,000	1,084,200	251,400	251,400	21,000
<i>Financing</i>						
Start-up loan repayment to TLW	146,072	-	-	-	-	-
Maintenance loan to TLW	-	125,000	125,000	-	-	-
Loans repaid to Vintage Trains CBS	-	-	250,000	25,000	150,000	150,000
<i>Trading</i>						
Payroll costs	697,644	900,733	1,038,259	1,041,936	1,041,936	1,041,936
Train running costs	440,081	1,219,025	1,877,841	1,877,869	1,877,869	1,877,869
Other costs	340,911	406,208	410,250	414,313	414,800	415,311
	2,143,707	3,319,967	4,785,549	3,610,518	3,736,005	3,506,116
Net Cash Flow	449,429	(9,778)	(14,078)	34,973	(40,806)	210,301
Made up of:						
Financing Cashflows	1,078,928	625,000	700,000	(25,000)	(150,000)	(150,000)
Capex Cashflows	(519,000)	(669,000)	(1,084,200)	(251,400)	(251,400)	(21,000)
Trading Cashflows	(110,499)	34,222	370,122	311,373	360,594	381,301
Net Cash Flow	449,429	(9,778)	(14,078)	34,973	(40,806)	210,301
Cash Balance Brought Forward	-	449,429	439,651	425,573	460,546	419,740
Cash Balance Carried Forward	449,429	439,651	425,573	460,546	419,740	630,042

Notes on Vintage Trains Limited Cashflow

Maintenance loan to Tyseley Locomotive Works: In order to deliver the proposed train programme, Tyseley Locomotive Works will need to carry out significant heavy maintenance on locomotives in 2019, specifically in January and February when they are out of service. To enable Tyseley Locomotive Works to carry out this maintenance, a short term loan of £250k will be advanced in 2019 and 2020, to be repaid in late 2020.

Start-up loan repayment to Tyseley Locomotive Works: Tyseley Locomotive Works has funded and carried out the work involved in setting up the train operating company, and so an amount will be repaid from the Subsidiary to recover Tyseley Locomotive Works' staff time and other costs.

8. Community Plan

8.1 Community benefits

In buying shares in the Society, Members will enable us to create the following benefits:

1. We're anticipating that our Members will support us with more than just their money. Vintage Trains has hitherto been a very traditional charitable operation, but we need to bring in new blood, as well as new cash. In addition to the Members who will be elected to join the board of the Society, we want people to participate by their ownership and become more involved in our work at every level, from volunteering and assisting our operations across the board. We have recently appointed a Volunteer Liaison Officer to commence this strategic work and involve the community in our endeavours.
2. We will develop the Society so that it provides real participation opportunities for everyone, anywhere, who is interested in steam trains or railway transportation in the heritage railway community nationwide; and also for our local community in Tyseley, within the City of Birmingham, where our base of operations at the historic Great Western Railway locomotive depot is situated.
3. We will develop training schemes and apprenticeships to ensure the necessary skills are passed down and kept for the future. We will encourage everyone to participate, either by visiting our depot, travelling on our trains or learning engineering, operating and business skills. These opportunities to participate are vital to our success and that of the new operating company. Only by keeping alive the skills of the steam age and encouraging a wider range of people to participate in our activities can we hope to succeed.
4. Additionally, many areas of our Great Western Railway depot require refurbishment, such as the original coaling-stage building which is unique in retaining an electrically operated coal lifting hoist, is still intact but unrestored. We also need to expand our engineering and operating facilities, and engine shed and servicing facilities, and provide under cover secure protection for our trains.
5. We will tell the fascinating and important stories about steam locomotion, particularly how it fundamentally changed the world and sowed the seeds for modern civilisation. Matthew Boulton and James Watt invented and marketed improvements to the steam engine which led Birmingham to become the greatest manufacturing city the world has ever known, enabling mass manufacture to be perfected, creating unprecedented economic growth and social change.
6. We will engage with regional industry and heritage stakeholders to create a globally important heritage tourist operation, which builds on our successes and harnesses the iconic historical aspects of Birmingham's contribution to international railway development. We will celebrate the pioneering work of the Grand Junction and London & Birmingham railways to form the world's first InterCity hub at Curzon Street, now to be reinforced by the arrival of HS2 at the same place in around ten years' time.

We will work with the City and HS2 to deliver a heritage gateway to the city, incorporating both the Grade I listed 1832 Curzon Street station and the 1906 GWR restored city Moor

Street station terminus (only 250 yards apart). These will deliver a railway tourist offering to local, national and international tourists which begins in London and transports passengers to us at Moor Street and thence by our famous *Shakespeare Express* train to Stratford by Pullman coaches built in Birmingham. The route to Stratford from Birmingham Moor Street station remains largely as built by the Great Western Railway in 1906, save for modernised signalling. Many of the stations remain authentic and available for adoption by community groups, which would help the promotion and development of a heritage route and participation in a publicly owned mainline railway company running express steam trains.

7. We will perpetuate the significant contribution made by Birmingham to the development of railways worldwide by continuing the tradition of carriage building and maintenance at Tyseley under the iconic name of Metropolitan Railway Carriage & Wagon Co. Ltd. This famous company built royal saloons for emperors and princesses in Argentina and China, dining and sleeping cars for the Orient Express, suburban carriages for thousands of commuters in all four corners of the earth, trains for Le Shuttle and the Virgin Pendolino and even the East African coach from which a man-eating lion dragged an unlucky British engineer to his untimely death. We will create an apprentice and training scheme to preserve and develop both locomotive and carriage engineering skills. We will foster commercial and administrative expertise so that the next generation can develop innovative and creative skills within a sustainable and worthwhile environment.
8. Above all, we will enable the steam locomotive to continue to fulfil its design purpose by continuing to haul express trains in the 21st century in regular timetabled service as a tourist business. This will also deliver economic and social improvements, public benefit and enjoyment through the development of a tourist business run by a publicly owned main line railway company for everyone. This will create a firm foundation for the next generation to continue to innovate and a continuing purpose for our collection.

We can do this because we have spent the past fifty years collecting, restoring and operating our collection on the national railway network. We have gained an enviable reputation for our engineering and operational skills. We have built good relationships with local, heritage and national railway network industry stakeholders and we have been able to deliver an annual revenue surplus to continue these endeavours year by year.

8.2 Member engagement

In addition to becoming involved as owners of a licensed train operating company as part of our unique project, Members will be entitled to:

- Exclusive Member offers for tickets, special Members' trains and advance booking opportunities.
- A say in the governance of the Society through voting at the Annual Members' Meeting and the ability to put forward items for discussion, as well as being consulted on important issues.
- Stand for and vote in election to the board of the Society.
- Opportunities to volunteer on our services, which will reduce costs and provide enjoyable activities (which could also lead to new careers in the railway and hospitality industry).

9. Marketing the share offer

We plan to deliver cross-channel marketing activity to launch the share offer, and will leverage various campaign ‘milestones’ to ensure our messaging evolves. We will maximise opportunities to continue to engage with the regional, national and broadcast press.

The share offer campaign will involve:

Groups, networks and societies	We have identified a range of suitable target groups, including various rail societies, enthusiast groups, and organisations such as University of the Third Age, and we will be contacting these groups directly offering speaker opportunities, and communications via their own newsletter/social channels
Regional press	Targeted PR activity to regional press titles in the Birmingham / Midlands area
National press	Targeted trade and national press activity, including a ‘relationship building’ approach with key national titles
Radio and TV	Provision of ‘visual storytelling’ opportunities for broadcast media, including opportunities to film from a steam engine
Social Media	Maximise the potential of social media channels – already achieve strong engagement across Vintage Trains’ Twitter and Facebook pages, we plan to increase reach and engagement through paid advertising to specific and relevant audiences
Celebrity endorsement	Currently liaising with well-known ‘celebrity’ ambassador to lead our campaign activity
Events	A launch event at Tyseley Locomotive Works will mark the launch of the share issue, and we will be inviting key stakeholders, potential subscribers and press to this private event. Vintage Trains also hold regular open days, and we will use these to promote the share issue to an already engaged audience. We are attending ‘third party’ rail-focused events with promotional stands, encouraging people to sign up on the day
CRM	Vintage Trains already has a database of over 12k previous customers, and we plan to deliver a campaign of email activity to launch the ‘Founder’s Club’ – an opportunity only available to previous VT customers, offering exclusive incentives if shares are purchased before a particular date
Leaflets and collateral	We are producing a range of leaflets and collateral to promote the share issue. Leaflets will be handed out at various events, and the brochure will be sent to select key stakeholders and potential subscribers.

We have undertaken a market segmentation exercise to determine the different market segments, their sizes, and how we will market to them. This has identified a total potential reach of 680,000+ subscribers:

Description	Segment size	Assumed reach
Rail enthusiasts	M	Steam Railway magazine, circulation 32k, RAIL magazine, 20k
GWR enthusiasts	S	3-5k
Current and ex-railway staff	M	200k
Railway clubs	S	10k
High net worth individuals	S	500
Birmingham business	S	200
Existing VT customers	S	12k
Parents / grandparents (preserving history for kids)	H	Reach via Facebook advertising – 100k (utilising the budget we have available)
Traditionalists / days out / Uni of 3 rd Age	H	Reach via Facebook advertising – 100k (utilising the budget we have available)
Rail commuters	H	Reach via Facebook advertising – 100k (utilising the budget we have available)
Young idealists	H	Reach via Facebook advertising – 100k (utilising the budget we have available)
Engineers	L	10k (via specific engineering publications)

10. Risks and mitigation

We have identified the principal risks with this project, and the contingencies to mitigate them, as follows:

Risk Summary	Likelihood	Impact	Action taken to reduce risk
We aren't able to secure a passenger charter train licence from the Office of Rail and Road Regulation	Low	High	<p>We have already taken significant steps to achieving this. We have built good relationships with the regulators and are working with them through this process. We have employed professional industry specialists to help us with our application and have built contingencies into our financial projections. We have already completed work on our safety management system, obtained the necessary insurance quotes and established a professional board of directors. Now we only need to show them that we can fund our start-up working capital, which is where you come in!</p> <p>Should we hit our minimum target, but the Office of Rail and Road does not grant us an operating licence for any reason, all funds will be returned to Members less any operating expenditure that had been incurred to that date, on a pro-rata basis in proportion to the funds subscribed by each Member.</p>
We are unable to run a safe and reliable railway operating company and we lose our licence	Very Low	Medium	<p>We have a board of experienced railway directors and managers who have spent careers in the industry running railways safely as part of their DNA. We have put in place governance structures and safety management systems to ensure our focus will remain resolutely on safety. We will also have insurance to protect our licensed train operating company, and as its parent, the Society would be insulated from any risk in the event of the licensed train operating company being subject to claims.</p>
We become insolvent	Low	High	<p>We have established a very prudent financial model for our train operating company which is based on 20 years' experience of promoting heritage passenger charter trains, although operated by others. We have promoted these profitably and see no reason why this cannot continue as long as we walk before we try to run.</p> <p>The Society would not be viable as a standalone entity, and so as it will have provided funds to the operating company, Members' funds would be lost in the event of the operating company becoming insolvent.</p>