

SHARE PROSPECTUS

CLASS G5 LOCOMOTIVE COMPANY LIMITED (CG5LCo)

Offer for subscription of up to £600,000 ordinary shares of £1 each at £1 per share payable in full on application.

If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Investment in an unquoted company at an early stage of development is speculative and involves a higher degree of risk than investment in a quoted company. Your attention is drawn to the section headed Risk Factors.

This prospectus contains information relating to Class G5 Locomotive Company Limited. The directors of the company have taken all reasonable care to ensure that the facts stated in this prospectus are true and accurate in all material respects and that there are no other material facts, the omission of which would make misleading a statement whether of fact or opinion. All the directors accepted responsibility accordingly.

If fully subscribed the offer would result in the company receiving proceeds of £600,000 before offer expenses. The new ordinary shares now being offered will rank pari passu in all respects with the existing issued ordinary share capital of the company.

The terms and conditions of the application and procedure for application are set out in this document. The offer is not underwritten.

The investment described in this document may not be suitable for all recipients of this document. A prospective investor should carefully consider whether an investment in the company is suitable in the light of personal circumstances and the financial resources available.

Class G5 Locomotive Company Limited

Registered Office:
Unit 8S
Hackworth Industrial Estate
Shildon
Co. Durham
DL4 1HF

August 2018

CLASS G5 LOCOMOTIVE COMPANY LIMITED

“G5 PROJECT”

Introduction

The Class G5 Locomotive Company Limited (CG5LCo) was founded in 2007 by a group of like-minded railway enthusiasts to build a full size North Eastern Railway Class 0 (LNER Class G5) 0-4-4 Passenger Tank Locomotive for use on preserved heritage railways.

To 31st October 2016 £787,782 has been raised and spent on construction work with a target completion in 2020.

Description

Wilson Worsdell designed these superb locomotives in 1893. Between 1894 and 1901, 110 locomotives were authorised by the North Eastern Railway and constructed at the North Road Works in Darlington. They became the standard passenger tank locomotive of the time. All but two locomotives survived into the 1950's, the last being withdrawn in 1958. Not one of these locomotives was preserved and the class became extinct.

What is remarkable is that these locomotives ran for over 60 years with only minor modifications, only to be withdrawn when replaced by new diesel multiple units.

Background

In the last fifty years there has been an enormous growth of interest in all aspects of railways. The fledgling railway societies of the 1960's have grown to operate almost a hundred preserved railways; some of the larger ones have million pound turnover businesses. These railways are significant tourist attractions throughout the country. Specialist engineering and support companies exist to service the industry.

Most of these lines rely on steam locomotives and there is an increasing shortage of available engines. The youngest of the locomotives from the British Railways fleet will now have been in service for sixty years. Many of the former industrial locomotives are either too small or do not have the capacity for the longer runs and heavier trains on the preserved railways.

The preserved heritage railways which are members of the Heritage Railway Association had a combined turnover of £112m in 2014, operated a route mileage of 568 miles from 451 stations. They employed 2,666 employees and had 19,775 working volunteers. (Details from HRA 2015 Annual Report)

Rationale – Why build a G5?

The majority of preserved railways are branch line type. These railways tend to run either short or medium length trains limited to speeds of up to 25mph. The G5 locomotive will be able to comfortably handle 4 to 5 bogie coaches unassisted on most lines. Relatively few small tank locomotives survived from the British Railways fleet so the G5 would be an authentic locomotive filling a gap on the heritage railways. A new locomotive would be economical and reliable for the railways. Being a tank locomotive and having no tender, transport costs between railways will be reduced compared with a larger tender locomotive.

Earnings

Once completed, the locomotive will be hired to a railway and be based on that railway. Hire contracts can be either a few days or up to several months. Current rates for a locomotive of this type are in the region of £550 per day. The Railway meets the costs of water, coal, train crew, daily maintenance and the cost of transport to the railway. Based on 160 days operation the income would be to the order of £88,000 per annum. Running costs would be maintenance, insurance and training.

Maintenance in the early years should be confined to general up-keep. The first major cost would be a minor overhaul at 5years followed by the ten year boiler inspection and certification. To spread these costs an annual charge would be made in the financial accounts to create a boiler fund. Current estimates for this work are in the region of up to £125,000 - £25,000 at year 5 and £100,000 at year 10.

In addition to hire charges from the locomotive, additional income streams would be available from driver training/footplate awareness days, film and photographic work, sales of merchandise and special charters.

	Year 1	Year2	Year 3
Income			
Hire of locomotive and support coach (160 days)			
Driver training days			
Sales and promotions			
	<u>82,000</u>	<u>98,000</u>	<u>104,000</u>
Expenses			
Routine maintenance repairs	5,000	12,000	15,000
Wages insurance and overheads	31,000	32,500	34,500
Boiler fund	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>
	48,500	57,000	62,000
Operating Surplus	<u>33,500</u>	<u>41,000</u>	<u>42,000</u>

These financial projections are estimates.

Construction:

The CG5LCo has obtained copies of over 130 of the original sets of drawings for the locomotive. These drawings are being redesigned and updated, where appropriate, as construction progresses, e.g. all steel buffer beams instead of wood composition, rocking grate for the fire box to reduce labour etc.

The locomotive has an all welded boiler and is in full compliance with current pressure vessel regulations. The plans have been fully inspected, approved and registered at Lloyds for insurance purposes.

The locomotive is being constructed so that the external appearance will be as near as possible to the original prototype. Numbering is to be NER 1759 (LNER 7306).

When completed the locomotive will be certified for use on heritage railways and construction will be to standards required for operating on Network Rail track. However, in view of the costs for main line certification, this certification will be held over until there is an economic justification.

The locomotive is being constructed in distinct components. As each stage is reached it is costed and competitive tenders obtained for the work. The locomotive is being assembled in our own workshop at Hackworth Industrial Park in Shildon, Co. Durham, DL4 1HF.

David Elliott, the Director of Engineering, of the Tornado and P2 project is acting as consultant for the G5 locomotive construction.

Wherever possible components are being sourced and manufactured in the UK from companies with the necessary skills and experience. Use is being made of modern materials and construction methods to take advantage of any appropriate technical advances.

Progress achieved:

- The all welded boiler is completely finished except for hydraulic testing. This is the largest locomotive boiler to be built in this country since the end of mainline steam.
- The main frames are assembled complete with cylinder blocks, bogie support, drag box, motion bracket and fully machined horn guides.
- The bogie is completed to main line standards and is supporting the main frames.

- The main driving wheels have been cast and the leading pair have been machined, fitted with their tyres and mounted on the axle to form a complete unit.
- Design and certification work on the crank axle is progressing through David Elliot and Mott McDonald; the Crank Axle Fund has raised over £26,000 to April 2017 and we would expect to have completed the axle before the end of 2017.
- The rear section of the cab, containing the water tank and coal bunker has been assembled; the side and front plates are also cut to shape.
- The Smokebox together with its door and chimney are completed.
- Many smaller components such as the Westinghouse pump, safety valves, Wakefield lubricator and buffers have been sourced and refurbished for use.

To 31 October 2016 construction costs have been:

	£
Design	36,963
Boiler	252,627
Bogie	120,894
Main frames	119,030
Cylinders	46,868
Coupled wheelsets	68,428
Motion	5,034
Components	29,365
Plate work (cab)	21,898
Support coach	65,592
Smoke box, door & chimney	11,002
Axle boxes	9,486
Crank axle	515
Footsteps	80
Total	<u>787,782</u>

Estimated costs:

The estimated costs to completion are in the order of £600,000. This is based on current prices and excludes contingencies. As this project is recreating a locomotive from the original plans and many components have to be specially manufactured, forward costing is difficult until the components are required.

Funds raised:

To 31st October 2016 £856,190 has been raised by the issue of ordinary shares or monies subscribed in advance of share issue.

Significant shareholdings at 31st October 2016

Dr M R D Wood	£133,501
C J F Wood	£56,700
R I Womersley	£116,900
S Raine	£55,400
I A Irving	£120,669
R.J. Maughan	£26,947
B J Morris	£132,500

Directors:

The CG5LCo has six Executive directors, all of whom can be contacted at the registered office of CG5LCo:

Dr Michael Richard Duncan Wood (Chairman) – 66

Qualified as a medical practitioner in 1974, entering General Practice as a partner in a County Durham Practice. Currently working part time in the County. Deputy Chairman of Weardale Railway Trust and an active volunteer and train driver.

Christopher Francis Jeremy Wood – 59

Agronomist and agricultural chemist. Director of a specialist agricultural contracting and grain merchanting company. Lives and works in North Yorkshire and has a lifetime interest in railways.

Roger Ingham Womersley – 71

Trained as a Chartered Accountant; appointed as a partner in firm of Chartered Accountants in Leeds in 1973. Transferred to Manchester in 1979 and then to Huddersfield in 1983. As a general practice partner advised a wide range of clients including family business partnerships and public companies. He is now retired. Lifelong interest in railways and canals.

Stephen Raine – 70

After graduating as a mechanical engineer in 1969, trained as a Chartered IT Engineer and is a Member of British Computer Society. Joined the electricity industry in 1984 and retired from Northern Electric in 2000. He is a former Director of Weardale Railway Trust and Weardale Railways.

Ian Alexander Irving – 76

Qualified as a pharmacist and acquired a pharmacy business in Leyburn North Yorkshire. Long term interest in railways. Remembers being on the footplate of a G5 as a school boy.

Richard Maughan (C.E.O.) - 56

Graduated in Civil Engineering from Sunderland Polytechnic in 1983 and worked in construction until retirement in 2008. He has been involved with steam locomotives since the age of 13, commencing with Sir Nigel Gresley when based at Philadelphia. Has been a key member of the team either restoring or maintaining nine steam locomotives in total including Consett Iron Co. A No.5 at the North Tyneside perhaps the oldest working locomotive in the world? Director of Weardale Railway Trust and active involvement in steam operations at the AIn Valley and North Tyneside Steam Railway, at all three of which he is a qualified steam locomotive driver.

Timothy Ralph Taylor (Company Secretary) – 51

Born 1966 in Bishop Auckland just in time for the World Cup. Went to School in Durham City 74 – 82 and attended Teesside Polytechnic to study a degree in Chemistry. Started in kitchen industry in 1988. Still working and still living in County Durham. Too young to have seen a G5.

None of the Directors receive any remuneration

Constitution:

The company is a standard trading company incorporated under the Companies Act 1989. The Memorandum and Articles of Association contain no unusual features. A copy of the Articles of Association is available for inspection.

The investors contributing over £50,000 have a shareholders agreement governing commercial decisions between them. Any investor subscribing £50,000 would be given the opportunity to join in this agreement and appointment as a director. A copy of the agreement is available for inspection.

Enterprise Investment Scheme:

The directors will apply for the subscription into new ordinary shares to qualify for tax relief under the Enterprise Investment Scheme ("EIS"). Whilst the directors have no reason to believe that these shares will not qualify they can give no assurances in this respect as advance clearance has not been sought from HM Revenue and Customs. Existing shares have been issued under the scheme.

The following tax benefits may be available to qualifying investors under current legislation subject to the investor's aggregate investments of this type not exceeding £1,000,000:-

- UK income tax relief of up to 30% of the subscription, depending on income and nature of income. The shares must be held for a minimum of 3 years.
- Deferral of Capital Gains Tax on other chargeable gains made under disposal of the shares in CG5LCo, thus deferring a Capital Gains Tax charge
- Capital Gains Tax relief – if an investor holds the shares for at least three years (and the other qualifying conditions are met) no Capital Gains Tax will usually be paid on the gain on the subsequent sale of the shares
- Loss relief – if the investment fails or an investor sells the shares at a loss, that loss, after deducting EIS Income Tax relief, can potentially be set against that investor's chargeable gains or taxable income.

This is a general summary of the benefits but investors should seek their own personal tax advice.

Taxation:

Under current legislation, capital allowances based on the construction costs should cover any operating surplus so that no corporation tax should be payable on trading income.

The CG5LCo is VAT registered and recovers VAT on construction costs.

BALANCE SHEET	2016	2015
	£	£
Fixed Assets		
Construction costs	787,782	750,558
Less: grants- sponsorship	(11,858)	(10,997)
Depreciation	(6559)	
	<u>769,365</u>	<u>739,561</u>
Current Assets		
Debtors	404	1,264
Bank balances	30,180	29,454
Less Current liabilities		
Creditors	-	-
Net Assets	<u>799,949</u>	<u>770,279</u>
Capital & Reserves		
Called up share capital	843,587	786,971
Monies received in advance of share issue	12,603	13,711
Profit & Loss account :- deficit	(56,241)	(30,403)
	<u>799,949</u>	<u>770,279</u>

TRADING ACCOUNT	2016	2015
	£	£
Rent	9,000	3,750
Rates	832	456
Water	420	210
Alarm System	125	890
Fire extinguisher	33	265
Advertising	5,743	3,080
Bank Charges	206	159
Insurance	2,368	2,114
Maintenance	300	
Telephone		138
Website Design	262	488
General		40
Accountancy	253	
Removal costs new unit		1,585
Opening costs new unit		126
Depreciation	6,559	
Net costs	<u>26,101</u>	<u>13,301</u>
Less :- donations	(250)	(330)
Interest received	(13)	
Loss for the year	<u>25,838</u>	<u>12,971</u>
Losses Brought forward	30,403	17,432
Accumulated losses	<u>56,241</u>	<u>30,403</u>

Notes on the Accounts

- The Accounting date is 31st October. The trading accounts are for the 12 months ending on the 31st of October.
- The accounts are prepared under the historical cost convention.
- Fixed Assets and Depreciation.
Construction costs of the locomotive are stated at cost.
The support coach is being depreciated over 10 years in equal instalments commencing 1st November 2015
- All shares are issued at par. To date 843,587 ordinary shares of £1 each.
- Capital commitments at 31st October 2016 amounted to £8,298 (2015 £11.406)
- The company purchased the services amounting to £4,750 in the financial year to 31st October 2015 from a company in which Dr MRD Wood had a controlling interest.
- None of the Directors received any remuneration in the two accounting periods nor made any claims for reimbursement of expenses.

Future developments:

The CG5LCo owns the drawings for this locomotive and all the patterns for the castings. With these and the experience gained in building this locomotive, a future locomotive could be constructed at a significantly lower cost. This could be either another G5 or a closely related Worsdell designed locomotive such as N8/9/10. The decision would be based on availability of funds and the economic case.

Exit strategy:

The CG5LCo could operate the locomotive into the future but if its shareholders wished, the locomotive could be sold. Preserved locomotives do change hands. Valuation is very much dependent on interest, requirements and economic conditions at the time of sale.

Dividends:

If the CG5LCo accumulates cash reserves above those required for operational purposes, the directors could recommend the payment of dividends. However it is likely that any surplus income would be reinvested in to the project.

Risk Factors

If you are considering investing in the CG5LCo you should be aware of the following risks:-

1. CG5LCo has no ongoing trade and until such time as the locomotive is completed and has obtained its operating licence, that trade cannot commence and when trade commences success is not guaranteed.
2. Without future funding construction will not be completed.
3. Given the nature of the construction work it is difficult to obtain precise costings so the figure for future costs could be exceeded.
4. It is not possible to predict when the locomotive will enter service.
5. Circumstances outside the control of CG5LCo could prejudice the project – for example, changes in the regulatory framework, certification may become more stringent, restrictions on use of coal burning steam locomotives, additional health and safety requirements.
6. There will be no formal market for the sale of shares nor are they tradeable. It is not intended that this position will change. Any proposed share sale will be subject to the restrictions in the CG5LCo Articles of Association. The price at which investors may realise their holding may be influenced by many factors. Investors may realise less than their original investment or may even lose all their investment. The ability of an investor to sell ordinary shares will depend on a willing buyer for the shares at an acceptable price.
7. Whilst the directors expect that any subscription into ordinary shares will qualify for tax relief under the Enterprise Investment Scheme, the directors can give no assurances however existing shares have been issued under the provisions of the scheme.

Borrowings:

There are currently no borrowings.

Working Capital

The Directors are of the opinion that the Company will have sufficient working capital for its present requirements in the next 12 months. Spending is controlled by the funds available.

Timescale:

Construction started in November 2007. Depending on funds, construction could be completed in late 2020.

Friends of the G5:

This group has been formed by supporters of the project. Its aim is to raise funds for the project through sales and part sponsorship and to raise awareness.

Investment opportunities:

This is a unique project to create a fully operational steam locomotive built to the highest standards for use on the many preserved heritage railways and your opportunity to have a direct stake in ownership and operation of the locomotive.

Investment could be by way of taking a direct shareholding in the CG5LCo of individual shares from £100; which should be eligible for tax relief at 30% via the Enterprise Investment Scheme.

Help the existing team recreate a North Eastern legend.

Having read the above and if you are still interested please contact one of the following:

Dr Mike Wood (Chairman) – 07974 969 058 (evenings after 7.30 pm)

Richard Maughan (Chief Executive Officer) – 07764 304 210
richard@maughan.myzen.co.uk

Tim Taylor (Secretary) - 01325 308989, g5locomotive@gmail.com.

Brian Cox (Friends of the G5 Locomotive) - 01388 450 540
bcox1745@gmail.com

or visit the website - www.g5loco.co.uk

HELP US COMPLETE THE STORY

Application and payment

The application form which accompanies this prospectus contains full details regarding application and payment.

Applicants must lodge the application form, together with a remittance for the full amount payable on application to Class G5 Locomotive Company Limited.

Cheques or bankers' drafts should be made payable to Class G5 Locomotive Company Limited and crossed "not negotiable; a/c payee only". It is a term of the offer that all cheques, which are able to be presented on receipt, will be honoured on first presentation. The company reserves the right to seek special clearance of cheques.

Share certificates are issued on a quarterly basis and will be sent out to those persons entitled within three months after the date of allotment. Posting will be at the risk of the persons entitled to receive the share certificate.

Money Laundering Regulations

It is a term of the offer that, to ensure compliance with applicable money laundering regulations, Class G5 Locomotive Company Limited may in its absolute discretion require verification of identity from any person lodging an application form ("applicant") including, without limitation, any applicant who (i) tenders payment or by way of cheque or banker's draft drawn on any account in the name of a person or persons other than the applicant by way of a direct credit transfer made by order of a person or persons other than the applicant or (ii) appears to Class G5 Locomotive Company Limited to be acting on behalf of some other person. In either case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. Pending the provision of evidence as to identity satisfactory to the company application forms stamped "paid" with the receipt at the foot duly completed and definitive certificates in respect of the shares may be retained in the absolute discretion of the company. If, within a reasonable period of time, following a request for verification of identity, Class G5 Locomotive Company Limited has not received such satisfactory evidence, the directors may, in their absolute discretion, terminate the contract to subscribe. The money payable on application will be returned without interest to the account at the drawee bank from where such money was originally debited.

CLASS G5 LOCOMOTIVE COMPANY LIMITED

STATUTORY INFORMATION

1. The CG5LCo was incorporated on 18 June 2007 with number 6283043 under the Companies Act 1989.
2. The CG5LCo commenced construction of a full size LNER Class G5 in November 2007 and construction continues to date limited only by available funds.
3. The directors have a shareholders agreement to regulate business between themselves. It is proposed that those investing £50,000 be invited to join in this agreement.
4. No director has any existing or proposed service contract with the CG5LCo. No travelling expenses have been claimed. The directors will continue to serve CG5LCo on a voluntary basis.
5. The directors are not aware of any claims against CG5LCo.
6. The directors declare that to the best of their knowledge and belief information contained in this prospectus is in accordance with the facts or best estimates and that the prospectus makes no omission likely to affect the import of such information. Potential investors should take into account the nature of the project being undertaken by CG5LCo when considering their investment.
7. Any persons considering investing are advised to seek their own independent financial advice before doing so.

June 2018

**SHARE APPLICATION FORM
CLASS G5 LOCOMOTIVE COMPANY LIMITED
Incorporated in England and Wales No. 6283043**

I apply for the number mentioned below of ordinary shares of £1 each in the company ("shares") at £1 per share and enclose my remittance for the amount stated being the sum payable on application for such shares.

1. Please insert the total number of shares that you are applying for and the total amount payable on the application

Total number of shares		Amount payable £	
min. 100 and thereafter multiples of 100		min. 100 and thereafter multiples of 100	

To the directors:

I request you to allot to me such number of shares upon the terms of the company's prospectus and subject to the Memorandum and Articles of Association of the Company. I hereby agree to accept the same or any lesser number of shares in respect of which this application is accepted, together with a cheque for any monies returnable, by post at my risk to the address first written below. I warrant and declare that the due completion and delivery of this form accompanied by a remittance will constitute a legally enforceable promise by me that the remittance attached will be met on first presentation and any such allotment is made strictly on this understanding.

2. Please insert below in BLOCK CAPITALS details of the person in whose name the shares are to be registered

Title..... Forename(s)Surname

Address

.....

..... Postcode

Email address Tel No

3. Please complete to comply with GDPR; tick the boxes to indicate your preferences regarding communications between the G5 Project and yourself.

I give my consent for my details to be stored on a secure database used only for the G5 Project purposes including informing me regarding future events and appeals.

Post Telephone Email

4. Please sign and date below

Signed.....Date

5. The completed application form together with your cheque or banker's draft (made payable to CLASS G5 LOCOMOTIVE COMPANY LIMITED) for the full amount payable on application should be sent to Dr M Wood, Low Waterhouse Farm, Esh Winning, County Durham DH7 9NH.

Photocopies of this application form will be accepted