

WyvernRail plc



SHARE ISSUE 2002

In Wirksworth & the Ecclesbourne Valley -
Gateway to the Peaks and Dales



Contents

| | Page |
|--|------|
| Definitions | 2 |
| Advisors and Registered Office | 2 |
| Foreword from the WyvernRail Chairman | 4 |
| Key Information | 5 |
| Principal Activities | 5 |
| Risk Factors | 5 |
| The WyvernRail Project | 5 |
| 1 Background | 5 |
| 2 Why revive the Wirksworth & Ecclesbourne Valley Railway? | 5 |
| 3 Progress to Date | 5 |
| 4 Purpose of this Share Issue | 6 |
| 5 Land & Premises | 6 |
| 6 The Light Railway Order and Lease-Purchase from Railtrack PLC | 6 |
| 7 Operating the Railway | 7 |
| 8 Rolling Stock | 7 |
| 9 Future Prospects and Financial Projections | 7 |
| 10 Dividends | 7 |
| 11 Ecclesbourne Valley Railway Association | 7 |
| 12 Future Business Development | 7 |
| Directors of the Company | 7 |
| Accountants' Report | 8 |
| Statutory & General Information | 9 |
| Shareholders' Benefits | 11 |
| Enterprise Investment Scheme | 11 |
| Application and Payment Procedure | 11 |
| Application Form | 12 |

Definitions

The following definitions apply throughout this document, unless the context otherwise requires:

| | |
|-----------------------------|---|
| "the Act" | means the Companies Act 1985; |
| "the Association" | means the Ecclesbourne Valley Railway Association; |
| "the Company"/"WyvernRail" | means WyvernRail plc; |
| "the Directors"/"the Board" | means the Board of Directors of the Company; |
| "the Issue" | means the issue of shares pursuant to the Offer; |
| "LRO" | means the Duffield and Wirksworth Railway Light Railway Order No. 1996, Statutory Instrument No. 2660; |
| "the Offer" | means the offer of subscription for new ordinary shares as set out in this prospectus; |
| "the Railway" | means the Duffield to Wirksworth Railway as described in this prospectus; |
| "the Regulations" | means the Public Offer of Securities Regulations 1995 as amended; |
| "the Shares" | means 750,000 ordinary shares of £1.00 each in the Company offered for sale to the public under the terms of this prospectus; |
| "EIS" | means the Enterprise Investment Scheme as defined in the Finance Act 1994. |
| "Railtrack" | means Railtrack PLC, in Railway Administration |

Advisors and Registered Office

| | |
|-------------------|---|
| Auditors | Ainleys, 324 Manchester Road, West Timperley, Altrincham, Cheshire, WA14 5NB |
| Solicitors | Lockett Loveday McMahon, Arkwright House, Parsonage Gardens, Manchester, M3 2LF |
| Registered Office | 324 Manchester Road, West Timperley, Altrincham, Cheshire, WA14 5NB |

| | |
|-------------------|--|
| Cover photograph | "In the Ecclesbourne Valley" Estate of Peter Owen Jones, stables@clara.net |
| Centre photograph | "Midland Compound at Wirksworth" Railfotos (Patrick Whitehouse) |

WyvernRail plc

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. 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 THAT 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. It is unlikely that shareholders will see any financial return on their investment for many years. Also equity shares can go down as well as up in value. Your attention is drawn to the section headed "RISK FACTORS" under Key Information on page 5 of this document.

This prospectus has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (as amended) and contains information relating to WyvernRail plc. 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 accept responsibility accordingly.

No application is being made or has been made to any stock exchange for admission to listing of, or grant of provisions to deal in the shares of WyvernRail plc.

A copy of this prospectus and of the documents listed in the statutory and general information section under the heading of Documents Available for Inspection have been delivered to the Registrar of Companies of England and Wales for registration.

WyvernRail plc

(Incorporated and Registered in England and Wales under the Companies Act 1985, number 02754846)

**Offer for subscription of up to 750,000 Ordinary Shares of £1.00 each
at £1.00 per share payable in full on application**

Share capital of the Company immediately following Offer
(assuming full subscription of the Offer Shares)

| Class of share | Authorised Number | Amount | Issued & Fully Paid Number | Amount |
|----------------|-------------------|------------|----------------------------|----------|
| Founder | 250,000 | £250,000 | 32,000 | £32,000 |
| Ordinary | 2,250,000 | £2,250,000 | 783,772 | £783,772 |

If fully subscribed, the Offer would result in the Company receiving proceeds of £750,000 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 and will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares after the date of this document.

The subscription list for the Ordinary Shares under the Offer will open at 10.00 a.m. on 19 April 2002 and may be closed at any time thereafter but in any event no later than 28 May 2002 unless the minimum subscription is achieved (as defined in this document) and the Offer is extended by the Directors. The terms and conditions of the application and the procedure for application in connection with the Offer are set out on page 11 of this document. The Offer is not underwritten.

Further copies of this Prospectus and application form can be obtained from:

WyvernRail plc
WIRKSWORTH STATION
COLDWELL STREET
WIRKSWORTH
DERBYSHIRE
DE4 4FB

Or by download from: www.WyvernRail.co.uk
Or e-mail to: Prospectus@WyvernRail.co.uk



Foreword from the WyvernRail Chairman

Some 13 years ago regular freight traffic ceased on the picturesque branch line from Duffield to the ancient Derbyshire town of Wirksworth. Scheduled passenger services had ended during 1947, before the creation of British Railways. For many years the local community had expressed their frustration that the reinstatement of passenger services to this most attractive area of Derbyshire was being overlooked whilst services elsewhere were being developed.

Arising from this demand WyvernRail Limited (now WyvernRail plc) was formed 9 years ago, by a team of volunteers, many of whom had previous experience of railway development projects, to bring this neglected asset back into use.

The Company has been successful in obtaining a Light Railway Order, which gives it the legal powers to lease the Railway from Railtrack, subject to reaching final agreement with Railtrack, and has reached agreement with the Health & Safety Executive Railway Inspectorate on the format of a Safety Case for the running of the line. These achievements are unusual for a new railway company at this stage of its development; generally these necessities are negotiated following the handover of a railway line. This gives WyvernRail a significant head start in the reinstatement of services and represents a significant capital asset for the Company.

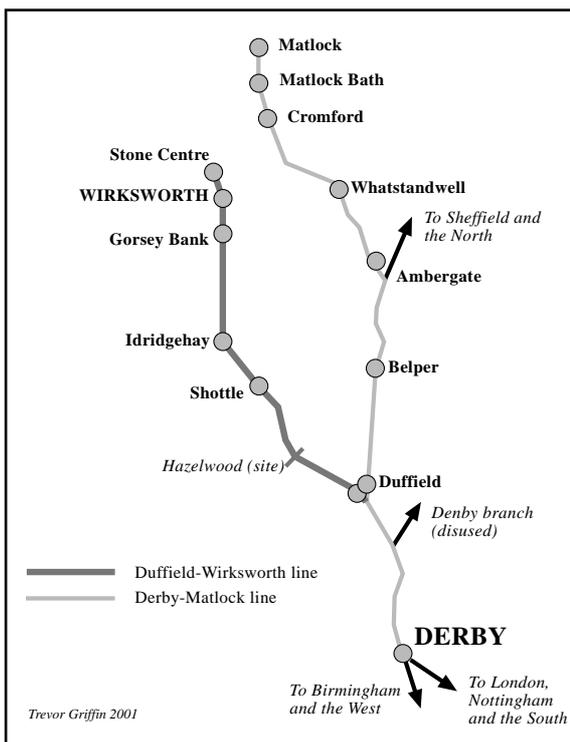
The Company has now reached a non-legally binding agreement in principle with Railtrack on a 15 year lease and purchase of the Railway from Duffield Station over the whole 8.5 miles of line to the Tarmac quarries at Middlepeak in Wirksworth but excluding part of the station yard at Wirksworth, which is designated as a Strategic Freight Site. Railtrack has offered WyvernRail a separate tenancy for this property. Assuming the Company completes a legally binding agreement with Railtrack on the proposed terms, the Company will have the option to acquire the freehold of the Railway once it has discharged all outstanding lease payments and amended its LRO. On the ground the Railway has been cleared of 13 years' vegetation overgrowth along the whole route from Duffield Station by the Company and its volunteer support group, the Ecclesbourne Valley Railway Association.

In the Company's opinion it has every prospect for launching a successful heritage tourist railway that will also provide a community service and is able to benefit from any future freight business. Already there are proposals to limit car access to the Peak National Park and the lower section of the line lies adjacent to the new Derwent Valley World Heritage Site. The project provides a unique opportunity to provide a traffic-free access from the East Midland cities of Derby and Nottingham directly to the countryside and tourist attractions of the Derbyshire Dales and the southern Peak National Park.

I hope that when you have read this document you will agree that the project is worthy of your support. There are approximately 1 million people living within 25 miles of the line, a typical distance for a day trip: this gives an excellent prospect of success. Therefore I hope you will join with me in investing in this new "Gateway to the Peaks and Dales".

Yours sincerely,

John Snell



W. A. Camwell



H. Sprenger

Key Information

The following should be read in conjunction with the full text of this document.

- The Railway is in-situ and provides a link between areas of high population in the Midlands and the tourist facilities of the Derbyshire Dales and Peak District
- Opportunities will be available to develop not only tourist traffic, but:
 - o Associated commercial activity
 - o Services for the local community
 - o Leisure-based training (e.g. driver experience) and education
 - o Facilities for commercial test trains
 - o Freight services should opportunities arise
- Light Railway Order in place
- Enthusiastic team of volunteers in place
- Agreement in principle (non-legally binding) with Railtrack for lease/purchase of the Railway

PRINCIPAL ACTIVITIES

The principal activities of the Company will be the rehabilitation and operation of the railway line between Duffield and Wirksworth and associated activities as detailed in this prospectus.

RISK FACTORS

- Completion with Railtrack of the lease and purchase within the predicted timescale is dependent on formal approval by the Rail Regulator
- Completion of the legal agreements with Railtrack is key to the development of the business and whilst the Directors are confident that they will be concluded, investors should be aware that the agreements are not completed and are still subject to contract
- Timescales for the reopening of the Railway are dependent on the approval of statutory procedures
- Railtrack is in Railway Administration which is a form of insolvency procedure. Notwithstanding this the Administrators of Railtrack have confirmed that they are prepared to proceed on the basis previously indicated to the Company by Railtrack prior to its Railway Administration. The Directors remain confident that a binding agreement will be concluded.
- There is no certainty that the Company will achieve the required level of profitability or cash flow needed under its business plan
- The Company is an unquoted company, it should therefore be assumed that there may not be a ready market in the Company's shares if an investor wished to dispose of his holding and the price for such shares may fall.

The WyvernRail Project

1. BACKGROUND

The single track railway line between Duffield and Wirksworth was constructed by the Midland Railway Company and opened for public service in October 1867. The railway was initially conceived as a possible first leg of a new through route to the Peak District and Manchester, and was engineered to accommodate a double track main line.

Passenger services remained relatively static in level throughout the life of the Midland Railway and its successor, the London, Midland & Scottish Railway Company (LMS). Inevitably, the introduction of bus services and increased car ownership adversely affected passenger figures to a point where passenger services were withdrawn by the LMS in 1947 during a period of fuel shortage.

Freight services in the form of limestone traffic had been a significant feature of branch services since the line opened and these continued until the late 1980's when the freight contract with British Rail ended. Since then the branch line has been 'mothballed' awaiting the resumption of limestone traffic at some future time.

2. WHY REVIVE THE WIRKSWORTH & ECCLESBOURNE VALLEY RAILWAY?

What has happened in the last 50 years to merit the restoration of a passenger railway service up the Ecclesbourne Valley to Wirksworth? The answer is a great deal, both at a local level and with regard to the railway industry.

In 1947 Wirksworth was a small market town in the Derbyshire Dales known for its quarrying industry. However, from the 1970s onwards Wirksworth rediscovered itself and was progressively transformed into a very attractive and busy town due to the enthusiasm of local people and organisations. The annual Well Dressings and Wirksworth Festival now attract many thousands of visitors.

New tourist attractions have also appeared in the area immediately adjacent to the town:

- The National Stone Centre – visitor centre, exhibition, interpretative trails explaining role of the stone industry in national life. Attracts about 50,000 visitors per year.
- The High Peak Trail – long distance footpath and cycleway, links to the Tissington Trail. Attracts about 250,000 visitors per year.
- Middleton Top Engine House – restored 1825 steam winding engine and visitor centre on the High Peak Trail close to Wirksworth.
- Steeple Grange Light Railway – narrow gauge railway offering rides from the High Peak Trail.
- Carsington Water – large reservoir 4 miles from Wirksworth offering leisure pursuits (sailing, riding, cycling) with exhibition, shops, restaurant and children's playground. Attracts about 500,000 visitors annually.
- Derwent Valley World Heritage Site – likely to result in large increase in visitors from outside the area

These attractions, together with the close proximity of the Peak District National Park, mean that large numbers of people now visit the area during the year leading to very busy roads during the summer. The need for better public transport is greater than ever.

The railway to Wirksworth, and its associated Freight Yard, retains much of its original flavour as a result of its prolonged use as a freight-only line. As such it provides an ideal basis for a heritage railway, strengthened by its picturesque environment, central location to major road links and prime interchange with Derby – Matlock railway services at Duffield.

In the past 50 years a number of railway lines that had been closed have reopened as a result of support by local communities and enthusiasts. Many have prospered by responding to the needs of the market, for example by catering for tourists and by using volunteers for much of the labour input. As these businesses have grown, local full time staff – many of whom were formerly volunteers – have been employed, particularly in engineering and sales activities.

Recently some of the larger and well established railways have recognized the potential to extend the scope of services beyond holiday periods and weekends by providing daily services orientated to the needs of the local community. In the form of a "Community Railway" valuable links into mainline rail services can be offered to local residents and visitors alike.

The Company believes that the combination of traditional leisure based rail operations with services tailored for the needs of the community will enable the creation of a potentially sustainable railway operation. To achieve this it has an enthusiastic and motivated volunteer workforce together with a locally based management responsive to the needs of the local population.

3. PROGRESS TO DATE

Since its formation in 1992, WyvernRail has completed a plan that would return passenger rail services to the Ecclesbourne Valley. The Company has identified a number of opportunities which it is believed would allow the railway to be operated as a successful business, catering for all sections of the community.

Specific achievements so far include:

- The granting by the Secretary of State for Transport of a Light Railway Order that gives the Company the legal powers to operate trains on the branch once a lease from Railtrack has been completed.
- The conclusion of a non-legally binding agreement with Railtrack for a 15 year lease of the Railway with the option to purchase outright within that period, subject to contract. The agreement is not legally binding and represents a statement of intent between the parties.
- The development of a draft Safety Case for the operation of public services.
- Statements of support from Derbyshire County Council, Derby City Council, Derbyshire Dales District Council, Amber Valley District

- Council, Wirksworth Town Council and all Parish Councils along the route.
- Access to the line under an agreement from Railtrack for the purpose of track clearance and limited rehabilitation work.
- Support from the Ecclesbourne Valley Railway Association in the clearance of the whole line to Duffield for maintenance vehicle usage.
- The development of a business plan for the progressive re-opening of the Railway.

4. PURPOSE OF THIS SHARE ISSUE

It is intended that funds raised by this Offer will be applied (after payment of expenses in connection with the Issue) towards the following projects:

- Completion of a legally binding agreement for the lease and purchase of the line between Duffield and Wirksworth from Railtrack.
- Rehabilitation of the trackwork and associated infrastructure to a standard that enables passenger train operation.
- Amendment of the LRO to permit outright purchase of the Railway.
- Development of station facilities along the line.
- Purchase of passenger vehicles for use on the line.
- Purchase of other necessary plant for the safe operation of the line.
- Provision of cash flow funding during the development period of the line, including legal and other costs.
- The provision of working capital to allow the Company to operate in accordance with its business plan.

Assuming that the share issue is successful the Company anticipate it leading to the following developments:

- Completion of lease and purchase negotiations with Railtrack: Autumn 2002
- Commencement of certain commercial activities such as catering and testing: Autumn 2002
- Commencement of the operation of a limited train service: Winter 2002

The Directors warn that timescales involved in complying with the statutory procedures required to allow the operation of trains are not within their control and may impact on the achievement of these predictions.

5. LAND AND PREMISES

The Railway comprises approximately 8 1/2 mile long single track running in a north westerly direction from Duffield to Wirksworth (see map). From the Wirksworth station area the Railway extends approximately 1/2 mile by way of a relatively steep incline in order to serve the former quarries to the north of the town, the line ending at a location close to the National Stone Centre.

The Company intends that if the Railway is progressively reopened, station facilities will be provided at:

- The Incline – to serve tourist attractions north of Wirksworth
- Wirksworth – to serve the town
- Gorsey Bank – to serve a part of Wirksworth which has expanded since 1947
- Idridgehay – to serve the village
- Shottle – to serve Turnditch and Cowers Lane (where bus connections can be made to Ashbourne / Belper)
- Duffield – to serve the village and connect with Derby-Matlock rail services

The demand for, and feasibility of, the provision for a halt in the locality of Hazlewood or toward the north of Duffield will be investigated.

At Wirksworth, it is the long-term objective of the Company to construct a new station building of Midland Railway style. In the meantime temporary station facilities will be developed, together with accommodation for the Railway's administrative headquarters, including secure storage for rolling stock.

At Duffield, it is proposed that a run round loop will be constructed, whilst consideration will be given to the eventual arrangements for the platform, booking and waiting facilities, catering sales point, public access and interchange with Derby-Matlock rail services.

The current junction and signalling installation on the branch that links to Derby powerbox has been disconnected by Railtrack in such a way that the

cost of restoration will be minimised in the event of the branch being reconnected to the Railtrack system. In the event of sufficient traffic (and revenues) offering itself to the line then the restoration of the junction, signalling etc. will be pursued, creating the potential for developing open-access passenger services on to and off the branch, serving a range of travel markets.

On the Railway itself, volunteers have already completed a preliminary inventory of the line and have identified a series of steps necessary to restore the railway to serviceable condition. These tasks include replacement of missing track components, sleeper replacement where necessary, restoration of fencing, reconfiguration of track layout, re-commissioning of drainage and level crossings and development of signalling installations and procedures. Consulting Civil Engineers have carried out a structural survey for the Company and have found no major problems.

In addition, the A6 road bridge at Duffield has recently been repaired by the Highway Authority and Railtrack have undertaken to upgrade at their expense the A517 road bridge at Shottle for 44 tonne road traffic.

6. THE LIGHT RAILWAY ORDER AND LEASE-PURCHASE FROM RAILTRACK

In 1996, using its own resources, the Company obtained a Light Railway Order (LRO) to permit it to operate the Branch and the Incline subject to the completion of a lease of the property from Railtrack. This Order represents a significant Asset to the Company and was professionally valued by a transport consultant on 21 April 2001 at £100 000.

A non-binding Agreement in principle with Railtrack to move to Heads of Terms for a 15 years lease of the Railway, with an option to purchase, including part of Wirksworth Yard and the Incline, was reached in 2002. A statement from Railtrack dated 15th March 2002 reads:

"Statement from Railtrack"

Railtrack welcomes the approach made by WyvernRail plc to lease purchase the Wirksworth Branch. The branch has remained out of use for some time and its re-opening is a prospect to be encouraged.

Railtrack, at a recent meeting of its Midlands Zone Executive, has agreed in principle to the lease purchase deal with WyvernRail. This agreement is subject to negotiation of the detailed legal arrangements including a mechanism for allowing freight services to still access Wirksworth should a market need arise."

The LRO gives the Company the legal power to lease the Railway subject to reaching a binding agreement with Railtrack. To convert it to enable outright purchase will require an Amending Order, which the Company proposes to pursue if this share issue is successful.

The terms of the proposed agreement would permit the lease and purchase for a consideration of £240 000, indexed at 8%. Payments may be staged over 6 years or as otherwise agreed and the Company has the option to purchase for £1 for up to 15 years from the start of the agreement following payment of the total lease consideration, including any interest due. On payment of the lease-purchase consideration and any outstanding interest the Company's obligation to Railtrack prior to purchase is a £100 per annum administration fee. Railtrack's Administrators have agreed in principle to the disposal of the Railway. Final approval has to be given by the Rail Regulator. However, since the lease and purchase provide for protection of the Strategic Freight Site at Wirksworth Yard and make provision for future Open Access freight traffic to and from the National Network, the Company is confident that this will not be withheld.

The Company proposes to move quickly to complete the lease-purchase agreement if the Offer achieves its minimum subscription as detailed in this Prospectus.

In addition WyvernRail has been offered a tenancy on the strategic freight site, which covers the remaining part of the yard at Wirksworth.

7. OPERATING THE RAILWAY

The Company proposes three distinct passenger services to meet the needs of both tourists and the local community:

- a) A heritage (steam or diesel locomotive hauled) train service between Duffield and Wirksworth operated at weekends, bank holidays and daily (June – September).
- b) A heritage push-pull shuttle service from Wirksworth up the Incline to a new station near the National Stone Centre. This service will operate on the same days as the above heritage operation between Duffield and Wirksworth.
- c) A daily Community Rail Service between Duffield and Wirksworth operated on non-heritage days, subject to the achievement of a Partnership Agreement with the authorities responsible for transport.

Subject to the success of the offer, the Railway will be reopened starting from Wirksworth on a staged basis over 5 years.

The passenger service to and from Duffield will be designed, where possible, to integrate with the existing Derby – Matlock services on the national rail network which call at Duffield, together with the adjoining bus services between Derby and Belper.

The shuttle services on the Incline at Wirksworth will provide a highly convenient link between Wirksworth and the attractions to the north of the town (National Stone Centre, High Peak Trail, Steeple Grange Light Railway) and vice versa.

The railway will operate a two-tier fare structure with a basic fare for the daily community rail service and a 'premium' higher fare during heritage railway operations. Local residents will be able to apply for a Residents Railcard that will enable them to use any type of service for the lower fare structure.

Shareholders will be offered the opportunity to participate in this scheme too.

In addition the location of a designated strategic rail freight site at Wirksworth implies the potential transportation of freight between Wirksworth and other locations on and beyond the National Rail network. At present there are no known plans for such traffic.

8. ROLLING STOCK

The operation of heritage rail services on the railway will be undertaken using rolling stock to be purchased and owned by the Company hauled by locomotives (steam and diesel), which are hired in by WyvernRail as necessary.

However, the Company would be very happy to provide a home for owners of locomotives and rolling stock who wish to base their vehicles permanently at the railway. To date the Company has received a number of approaches from existing or intended owners of vehicles who have indicated a desire to bring them to the railway on a permanent basis and the Directors anticipate that other similar requests will follow.

For the operation of the proposed daily off-peak community service

between Duffield and Wirksworth it is intended to use lightweight self-powered rolling stock, either leased or wholly owned by the Company.

9. FUTURE PROSPECTS

The Directors have carefully examined the Company's prospects, and, based on their knowledge of the market and on the basis of various assumptions, they have prepared a business development plan that demonstrates the potential income and profitability of the Company.

In particular estimates of patronage have been tested against those achieved by similar railways elsewhere in Britain. The Directors believe that these represent a prudent view of the likely volumes that will be attracted to the railway.

10. DIVIDENDS

It is anticipated by the Directors that, for the short to medium term at least, any profits will be used to finance the expansion of the business. The Directors will keep under review the possibility of making dividend payments if appropriate.

11. ECCLESBOURNE VALLEY RAILWAY ASSOCIATION

The Association was founded in 1997 as the Derby & Wirksworth Railway Association by local people and rail enthusiasts to create a body to offer practical support to WyvernRail, and to generate interest in the railway within the local community and the UK as a whole.

In addition to providing physical assistance in rebuilding and operating the future railway, the Association is applying for charity status. If this status is achieved it will enable them to raise funds from various sources outside of this prospectus in order to finance smaller projects connected with the Railway. These sources include corporate sponsorship, Grant Making Trusts and Lottery Funding.

The Association has representation on the WyvernRail board.

12. FUTURE BUSINESS DEVELOPMENT

A number of options for further development of the business exist and will be pursued when resources are available. These include:

- Training and driver experience
- Train and vehicle testing
- Development of tourism in the Peak District and Derbyshire Dales
- Train operations beyond Duffield to Derby
- Development of a Rail Passenger Partnership with support of the Strategic Rail Authority
- Infrastructure provider for freight services on the branch
- Access onto the railway by through trains

The Board believes considerable opportunities exist for the development of educational and training services in conjunction with the line. These range from school visits to the line to locomotive driver training, and from emergency services training to railway skills development. The Company will seek to maximize the potential from these areas when in a position to do so.

Directors of the Company

All of the Directors can be contacted at the address of the registered office of the Company

J R Snell BSc CEng MIMechE, Chairman

John Snell is a Chartered Engineer working for a Derby based firm of international railway traction and rolling stock consultants, where he represents the UK rail industry on a number of national and international standards committees. John is the founding chairman of WyvernRail and has taken the lead in drafting and progressing the Company's successful Light Railway Order application. Prior to founding WyvernRail, he was chairman of Peak Rail plc, where he was responsible for their Light Railway Orders, a successful public share issue and subsequent line re-opening.

G I Watson BSc MCIT, Vice Chairman

George Watson is a public transport consultant working

in a number of different locations throughout Britain and beyond. Formerly holding several senior positions in the industry, George has been actively involved in a number of areas during the build up to this share issue and brings a wealth of experience to the Company. George has written two books and is an active committee member of the Routemaster Operators & Owners Association.

M S Miller, Managing Director

Martin has a background of rail operations, shipping and port management and air transport both in the public and private sectors. He has owned an inclusive holiday business and latterly held the posts of Operations and Commercial Manager of the Bluebell Railway and

Manager of the National Tramway Museum. (Martin is also a Trustee, Hon Treasurer and Advisor with Matlock and District Citizens Advice Bureau).

D A Clark, MISTC, Director of Operations and Safety

Dave Clark is a Training and Development consultant for an established Rail Training company in Derby delivering bespoke traction and drivers courses to a wide variety of customers in the UK. Dave has a long history of being involved in railways professionally from Derby Locomotive works as an apprentice, through vehicle design to project management. In his spare time Dave worked with Derby Museum and the Midland Railway Trust on Signalling. Dave is also a trustee to the Freemen of the City of Derby.

N Ferguson-Lee, BA(Econ), MRAeS, MIOM, Business Development Director

Neil Ferguson-Lee is principal consultant for an international company specialising in electronic procurement systems. Neil has a background in systems implementation, having led many business change projects in a variety of industries and spent the first ten years of his career in the aerospace industry. Neil brings to WyvernRail a deep knowledge of programme management and project delivery, combined with responsibility for managing WyvernRail's IT and web infrastructure.

K J Hall MBA, Director of Finance

Kevin Hall is County Councillor for the Wirksworth Division of Derbyshire County Council and Mayor of Wirksworth for 2000-02. He has lived in the town for most of his life and comes from a local family. Kevin is Managing Director of an I.T. solutions company and wishes to use his business expertise and knowledge of local issues to assist WyvernRail in becoming a catalyst for the regeneration of the local economy in the Ecclesbourne Valley.

G R Kenning, BTech, Director of Civil Engineering

Gavin Kenning runs his own engineering business manufacturing light steel fabrications for the retail industry. His background is in diesel engine manufacturing, and holds a degree in production and mechanical engineering. He has 30 years experience running his own business. Gavin brings to Wyvern Rail a balance of business experience and broad practical engineering experience.

T J Moore, Director of Mechanical and Electrical Engineering

Tim Moore is a time served Mechanical and Electrical Engineer and is director of his own company specialising in Electrical and Electronic testing and calibrations. After serving his apprenticeship at Derby Locomotive works Tim worked in the Merchant Navy for a number of years finishing as a 3rd Engineer on Steam Ships. Subsequently he worked with Babcock Bristol as a senior commissioning engineer before moving again to a senior position with Camas Building materials, in charge of budgetary control and the day to day operation of a concrete block plant.

P J Tarry MInstCFM, Director of Site Development

Philip Tarry is Site Project Manager and has spent most of his working life in the Public Sector. Having retired from the Derbyshire Constabulary's Community Unit, he has many years experience in Media Management, Project and Event Management, as well as organising the trading arm and acting as Regional Manager for various charities. Phil is currently a Site Access Manager in the Rail Safety Industry. His Heritage Railway experience covers over 35 years and started on the Kent and East Sussex Railway, Severn Valley, as well as an early member of the Midland Railway Centre. He is active in the promotion of EVRA and is responsible for Lottery Funding and general fundraising. By the nature of his role he is to be found at Wirksworth every week.

G E Marchant, Company Secretary.

Ernie Marchant has recently retired after 37 years with British Rail. As Finance Director Central services he played a leading role in reorganising some 20 BR support units into successful commercial businesses and then selling these companies as part of rail privatisation. This process drew on his wide experience in change management, project management, technical financial and management skills. He now runs his own Consultancy Company as well as working voluntarily with a National Charity.

Accountants' Report

The Directors
WyvernRail plc

Ainleys Chartered Accountants
324 Manchester Road
West Timperley
Altrincham WA14 5NB

Dear Sir

Dated: 24/3/2002

WyvernRail plcs

We report on the financial information set out in Paragraphs 2 and 3. This information has been prepared for inclusion in the company's prospectus dated 19 April 2002.

1.) Introduction

Statutory Information

WyvernRail plc (the Company) was incorporated in England and Wales as WyvernRail Ltd with registered number 2754846 with an authorised capital of £10,000 divided into 10,000 ordinary shares of £1 each. Since incorporation WyvernRail plc has not declared dividends. A written resolution dated 1st March 2002 resolved to convert the Company into a Public Limited Company and to change the name of the Company to WyvernRail plc. The present authorised share capital of the Company is £2,500,000 divided into 2,250,000 ordinary shares of £1 each and 250,000 Founder Shares of which 33,772 ordinary shares and 32,000 Founders Shares have been fully paid.

Basis of Preparation

WyvernRail Ltd has prepared audited financial statements for the period to 31 October 2001. Previous to this the Company has prepared the financial statements under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

The financial information set out below is based on the Balance Sheet of the company as at 31 October 2001. The financial information which has been prepared on the historical cost convention does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

2) Balance Sheet

| | Notes | 31.10.01 | 31.10.00 | 31.10.99 |
|---|-------|-----------------|------------------|------------------|
| | | £ | £ | £ |
| FIXED ASSETS: | | | | |
| Intangible Assets | 1 | 100,000 | | |
| CURRENT ASSETS | | | | |
| Debtors | | 767 | | |
| Cash at Bank | | 15,217 | 32 | 139 |
| CREDITORS Amount falling due within one year | | 5,435 | 34,039 | 26,790 |
| NET CURRENT ASSETS (LIABILITIES) | | <u>£110,549</u> | <u>£(34,008)</u> | <u>£26,651</u> |
| CAPITAL AND RESERVES | | | | |
| Called up Share Capital | | 59,672 | 6,818 | 6,118 |
| Revaluation Reserve | | 100,000 | - | - |
| Profit and Loss Account | | (49,123) | (40,826) | 32,769 |
| SHAREHOLDERS FUND | | <u>£110,549</u> | <u>£(34,008)</u> | <u>£(26,651)</u> |

Note 1 - The Company has a Light Railway Order for £100,000. This has been valued independently by 1a Enterprises Ltd, 51 Oakerthorpe Road, Bolehill, Wirksworth, Derbyshire, DE4 4GD.

Responsibility

The Balance Sheet is the responsibility of the directors of WyvernRail plc who have approved it. The directors are responsible for contents of the prospectus in which this report is included. It is our responsibility to compile the financial information set out in this respect to form an opinion to the financial information and report to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of the evidence relevant to the amounts and disclosures in the financial information.

We planned and performed our work as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or irregularity or error.

Opinion

In our opinion the financial information gives for the purpose of the prospectus a true and fair view of the affairs of WyvernRail plc as at 31 October 2001.

Consent

We consent to the inclusion in this Prospectus of this report and accept responsibility for this report for the purpose of paragraph 45 (b) 111 of Schedule 1 to the Public Officers of Securities Regulations 1995.

3) Profit and Loss Account

| | 31.10.01 | 31.10.00 | 31.10.99 |
|--|------------------|------------------|------------------|
| | £ | £ | £ |
| TURNOVER | - | - | - |
| Administrative Expenses | 8,400 | 8,057 | 6519 |
| Other Operating Income | 43 | - | - |
| OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | (8,357) | (8,057) | (6519) |
| Interest Receivable | 60 | - | - |
| Tax on Loss on Ordinary Activities | - | - | - |
| LOSS FOR THE FINANCIAL YEAR AFTER TAXATION | (8,297) | (8,057) | (6,519) |
| Deficit brought forward | (40,826) | (32,769) | (26,250) |
| DEFICIT CARRIED FORWARD | <u>£(49,123)</u> | <u>£(40,826)</u> | <u>£(32,769)</u> |

STATUTORY AND GENERAL INFORMATION

1. Incorporation

1.1 The Company was incorporated in England and Wales on 12th October 1992 under the Companies Act 1985 ("the Act") as a private company limited by shares (registered number 02754846). On 13th March 2002 the Company re-registered as a public limited company and changed its name to WyvernRail plc.

1.2 The Company's registered office is at 324 Manchester Road, West Timperley, Altrincham, Cheshire WA14 5NB.

1.3 As a public company limited by shares, the liability of its shareholders is limited.

2. Share Capital

2.1 The Company was formed with an authorised share capital of £10,000 divided into 10,000 ordinary shares of £1 each.

2.2 By an ordinary resolution passed on 1st October 2001, the authorised capital of the Company was increased from £10,000 to £2,500,000 by the creation of £2,240,000 ordinary shares of £1 each ranking pari passu in all respects with the existing shares in the capital of the Company and 250,000 Founders Shares of £1 each having attached thereto the rights set out in the Articles of Association adopted by special resolution on 9th April 2002.

2.3 Since incorporation WyvernRail plc has not declared dividends.

2.4 By a special resolution dated 1st March 2002 the Company resolved to convert into a Public Limited Company and to change the name of the Company to WyvernRail plc.

2.5 The present authorised share capital of the Company is £2,500,000 divided into £2,250,000 ordinary shares of £1 each of which 33,772 Ordinary Shares have been issued and 250,000 Founders Shares of £1 each of which 32,000 Founders shares have been issued. All of the issued shares of both classes are fully paid up.

2.6 On the 1st October 2001, an ordinary resolutions was passed at an extraordinary general meeting of the Company to the effect that the Directors be authorised for the purposes of Section 80 of the Act to allot shares up to an amount when aggregated with the shares already on issue at the date of this resolution equalling £2,500,000 in the Company any time before 30th September 2006 in accordance with the terms of the Company's Articles of Association.

2.7 On 9th April 2002 a special resolution was passed at an extraordinary meeting of the Company to the effect that the Directors were empowered pursuant to section 95 of the Act to allot up to 750,000 Ordinary Shares pursuant to the authority conferred by the resolution referred to in 2.6 above as if section 89(1) of the Act did not apply to any such allotment at any date up to 18th August 2002.

3. Summary of Share Rights

3.1 New shareholders registered on the register of members of the Company after the date of this Prospectus will be entitled to travel concessions set out on page 11 of this Prospectus.

4. Statutory Powers

4.1 The Company was granted powers to operate the proposed railway under the terms of the Duffield and Wirksworth Light Railway Order 1996 dated 15 October Order No. 2660.

5. Memorandum and Articles of Association

5.1 Memorandum of Association

The Company's principal object is to carry on the business as specialists in the operation of a railway line and all forms of transportation. The objects of the Company which include all powers necessary for the Company's articles are set out in full in clause 4 of the Memorandum of Association.

5.2 Articles of Association

The articles of association of the Company ("the Articles") contain, amongst other things, provisions to the following effect:

(a) Voting

Subject to any terms as to voting attached by or in accordance with the Articles to any class of shares, every member (being an individual) present in person or (being a corporation) is present by a representative, not being himself a member, shall have one vote and on a poll, every member present in person or by proxy shall have one vote for each share of which he is the holder.

(b) Alteration of share capital

The Company may from time to time by ordinary resolution

- increase its share capital;
- consolidate and divide all or any of its share capital
- cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its capital by the amount of the shares so cancelled, and
- sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the memorandum of association.

Subject to the provisions of the Act, the Company may purchase any of its shares. Subject to the provisions of the Act, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

(c) Issue of Shares

The shares in the present or any increased capital of the Company shall be under the control of the Directors who may allot dispose of or grant options over the same for such persons on such terms and in such manner as they think proper (subject as permitted by law and specifically the Companies Act 1985).

(d) Transfer of Shares

Any holder of shares may transfer in writing all or any of his shares by transfer in any usual or common form or in any other form which the Directors may approve.

The Directors may refuse to register a transfer of which is not fully paid to a person of whom they do not approve or on which the Company has a lien. The Directors may also refuse to register a transfer unless it is in favour of not more than four transferees and is lodged at the registered office or at such other office as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. Registration of transfers of shares may be suspended by the Board for such periods as they may determine, for up to 30 days in any year.

(e) Dividends

Any dividends shall be declared and paid according to the amounts paid up on the shares. The Company may by ordinary resolution declare dividends. The Directors may pay such interim dividends as appear to be justified by the profits of the Company. However, as mentioned, the payment of dividends is unlikely in the short to medium term.

The Directors may subject to the terms of the articles, if authorised by ordinary resolution of the Company, offer any holders of shares the following options:

- a) instead of taking the net cash amount due to them in respect of all or any part (to be determined by the Directors) of any dividend declared or payable on any ordinary shares held by them, either to invest the cash in subscribing for unissued ordinary shares, payable in full or by instalments, or in paying up in full or by instalments any unpaid or partly paid ordinary shares held by them; or
- b) instead of taking the net cash amount due to them in respect of all or any part (to be determined by the Directors) of any dividend declared or payable on any ordinary shares held by them, to elect to receive new ordinary shares credited as fully paid; or

c) to forego their entitlement to all or any part (to be determined by the Directors) of any dividend declared or payable on any ordinary shares held by them and to take instead fully paid bonus ordinary shares; or

d) any other option in respect of all or any part (to be determined by the Directors) of any dividend on any ordinary shares held by them as the Directors determine.

(f) Return of capital on winding up

If there is a surplus on a winding up of the Company, after payment of all creditors and meeting all liabilities the surplus would be applied in paying to members the amounts paid upon the Shares held by them. Any surplus will be distributed to the Ordinary shareholders pro rata to their holdings. Accordingly unless a winding up was a solvent one, shareholders would not get their capital back.

Any liquidator may, with the sanction of an existing resolution of the Company and any other sanction required by law, divide amongst the holders of shares in the Company, in specie the whole or any part of the assets of the Company or any part of the assets in trustees up such trusts for the benefit of the holders of shares as the liquidator, with such sanction, shall determine.

(g) Alterations to the rights attaching to the shares

Whenever the capital of the Company is divided into different classes of shares or groups and either whilst the Company is a going concern or during or in contemplation of a winding up, the special rights attached to any class or group may be modified or abrogated, subject to the provisions of the Company's Memorandum of Association and unless otherwise provided by the terms of issue of the shares of that class or group, either with the consent in writing of the holders of three-quarters of the issued shares of the class or group, or with the sanction of any extraordinary resolution passed at a separate general meeting of the holders (but not otherwise).

(h) Directors

Save as otherwise provided in the Articles or unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than two and no more than twelve.

No person shall hold the office of Director of the Company unless he shall have registered in his name 2000 Ordinary or Founder Shares of £1 each in the capital of the Company.

The Directors are entitled to such remuneration as the Company may by ordinary resolution determine and are entitled to all expenses properly incurred. The Directors may appoint any one or more of them as managing Director or to any other executive office on terms including remuneration as they think fit.

A Director may not vote or count in the quorum in respect of any resolution notwithstanding that it in any way concerns or relates to a matter in which he has directly or indirectly any kind of interest whatsoever. This prohibition does not apply to:

- (i) a contract or arrangement for giving to the Director security or a guarantee or indemnity in respect of:
 - (a) money lent by him or obligations undertaken by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or part under a guarantee or indemnity or by the giving of security.
- (ii) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is, or may be, entitled to participate as a holder of securities or in the underwriting or subunderwriting of which the Director is to participate;
- (iii) relating to another company in which he does not hold an interest in shares (as that term is used in Part VI of the Act) representing 1 per cent or

more of any class of the equity share capital or of the voting rights in that company;

(iv) relating to a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which has been approved by the Inland Revenue or is conditional upon that approval or does not award him any privilege or benefit not awarded to the employees to whom the scheme relates; or

(v) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or the benefit of persons including Directors.

The Directors are required to retire by rotation. The Company may by ordinary resolution in general meeting appoint any person who is willing and qualified to act either to fill a vacancy or as an additional Director provided he is recommended by the Directors or in accordance with the Articles has been proposed by a member. Also the Directors may appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director.

(j) Founders' shares

The holders of Founders Shares have the right to be granted share options over ordinary shares in the Company provided certain levels of earnings per share are achieved. Subject to the right to such options, the Founders Shares rank pari passu with the Ordinary Shares of the Company.

In any one year to 31st October 2007 if earnings per share of 1.5 to 2.5 pence are achieved, the Founder Shareholders will be granted options to acquire Ordinary Shares equivalent to 10% of the issued and fully paid up capital of the Company.

If in any one year up to 31st October 2007 the Company achieves earnings per share of between 2.5 and 3.5 pence per share, the holders of Founders Shares shall be granted option to acquire ordinary shares equivalent to 20% of the issued and paid up share capital of the Company.

If in any one year up to 31st October 2007 the Company achieves earnings per share in excess of 3.5 pence per share, the holders of Founders Shares shall be granted option to acquire ordinary shares equivalent to 30% of the issued and paid up share capital of the Company.

The options granted are cumulative and the total aggregate option would only correspond to 30% of the issued and paid share capital of the Company at the relevant date.

Such options are exercisable no later than 31st October 2008, irrespective of when granted.

No further Founders Shares can be allotted or issued without the approval or consent of the Ordinary Shareholders.

The holders of Founders Shares enjoy travel concessions on the following terms: Up to 999 Founders Shares receive a Silver Pass, 1000 and above receive a Gold Pass (as defined on page 11).

5. Promoters

The Directors of the Company are or may be deemed to be the promoters of the Company. Save as disclosed in this document, no amount or benefit has been paid or given by the company since the date of its incorporation to any promoter or is intended to be so paid or given.

6. Directors' and other interests

The interests (all of which are beneficial) of the Directors (including persons connected within the meaning of section 346 of the Act) in the shares, which have been notified by each Director of the Company pursuant to section 324 or section 328 of the Act at the date of this prospectus are as follows:

| Director | Number of: | Ordinary Shares | Founders Shares |
|----------------|------------|-----------------|-----------------|
| J R Snell | | 4797 | 2000 |
| G I Watson | | 3722 | 2000 |
| N Ferguson-Lee | | 4335 | 2000 |
| M S Miller | | 577 | 2000 |

| Director | Number of: | Ordinary Shares | 2000 Founders Shares |
|-------------|------------|-----------------|----------------------|
| K J Hall | | | 2000 |
| G R Kenning | | | 2000 |
| T J Moore | | | 2000 |
| P J Tarry | | | 2000 |

Save as set out above, none of the Directors has any interest, whether beneficial or non-beneficial in any share capital of the company. All of the Directors are unpaid and none has an existing or proposed service contract. Each Director has given an assurance they will fulfil all obligations of the Board both collectively and individually.

7. Material Contracts

No contracts, not being contracts entered into in the ordinary course of business have been entered into by the Company within the two years immediately preceding the date of this document which are or may be material other than.

8. Litigation

There are no legal or arbitration proceedings in which the Company is engaged, or which are pending or threatened against the Company which may have, or have had prior to the date of this document, a significant effect on the Company's financial position.

9. Subsidiaries

The Company has no subsidiaries.

10. Working Capital

The Directors consider that, taking into account the estimated net proceeds of the new ordinary shares proposed to be issued, the Company will have sufficient working capital for its present requirements.

11. Indebtedness

On 18th April 2002, the Company had no overdraft. Save as aforesaid the Company did not have any loan capital (including term loans) outstanding or created but unissued, or any mortgages, charges, borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills), nor acceptance credits, obligations under finance loans, hire purchase commitments or guarantees, or other material contingent liabilities.

12. General

(a) The ordinary shares offered for subscription on behalf of the Company pursuant to the issue have a nominal value of £1 each being the issue price and will rank pari passu in all respects with the existing issued ordinary shares of the Company. There is no issue premium. Individual applicants for shares may be entitled to different personal shareholder benefits as mentioned on page 11.

(b) The purpose of the prospectus (as mentioned in the previous main sections) is to raise sums up to a maximum of £750,000 towards the funding for rehabilitation of the Railway. The Directors will apply the sums raised in respect of such matters as they consider fit depending on the amount of the sums raised and the resources otherwise available for such matters.

(c) The Public Offers of Securities Regulations 1995 require particulars as to the minimum amount which, in the opinion of the Directors, must be raised by the issue to provide the sums (or, if any part of them is to be defrayed in any other manner, the balance of the sums) required to be provided in respect of (i) the purchase price of any property purchased, or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue (ii) any preliminary expenses (and any commissions payable to any person for agreeing to subscribe for, or for procuring subscriptions for any shares) (iii) the repayment of any money borrowed by the Company in respect of any of such matters and (iv) working capital and also requires particulars of the amounts to be provided in respect of such matters otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided. In the opinion of the Directors the sum of £45,000 is sufficient ("the Minimum Subscription").

(d) Even though the capital offered under this Prospectus is not subscribed for in full, the amount of capital subscribed for may be allotted in any event. Allotments may be made at any time after the Directors are satisfied the amount subscribed is sufficient to raise the minimum amount mentioned in paragraph 9(c) and from time to time thereafter.

(e) The subscription lists will open at 10.00 a.m. on 19th April 2002 and may be closed at any time thereafter. Subject to any such earlier closing of the subscription lists and achieving the minimum subscription, the period during which the offer of the shares is open is the period expiring on 28th May 2002 or such longer period as the Directors of the Company may from time to time resolve subject to achieving the minimum subscription.

(f) It is not possible to estimate the total proceeds which it is expected will be raised by the offer nor, in consequence, the expected net proceeds after the deduction of the expenses of the offer.

(g) Subscription monies will be paid into a separate account with the Company's bankers pending allotment of shares. Money as appropriate will be returned to applicants without interest where their applications are not accepted in whole or in part within 7 days of a decision being taken for such non-acceptance.

(h) Ainleys Chartered Accountants have given and not withdrawn their written consent to the issue of this document with the inclusion of the copy of their report and letter and the references to them in the form of context in which they are respectively included.

(i) The financial information contained in this document does not constitute full statutory accounts as referred to in Section 240 of the Act. Statutory audited accounts for the year ended 31st October 2001 to which the financial information relates and on which the auditors gave reports under Section 235 of the Act, have been delivered to the Registrar of Companies. Statutory accounts are available for the year ending 31st October 2000 and 31st October 1999.

13. Tax on dividends

If the Company were to pay dividends (which as mentioned is unlikely in the foreseeable future) then under current UK taxation laws UK resident individual shareholders would be entitled to a tax credit equal to 10% of the aggregate of the dividend and the tax credit (or one-ninth of the dividend). The tax credit will discharge any tax liability of individuals not liable to higher rate tax but not of individuals who are so liable having a higher rate tax liability. Any person in doubt as to the tax position and in particular any person who is not a UK resident individual should take taxation advice.

14. Documents available for inspection

Copies of the following documents may be inspect a the offices of Lockett Loveday McMahon of Arkwright House, Parsonage Gardens, Manchester M3 2LF during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 40 days from the date of this document:

- The memorandum and articles of association of the Company
- The report of Ainleys
- The financial statements of the Company for the years ended: 31st October 2001, 31st October 2000 and 31st October 1999.
- The written consent referred to in paragraph 12(h) above

Dated 19th April 2002

* In this section "shares" means Ordinary Shares and Founder Shares unless the context otherwise requires.

Shareholders' Benefits

As noted in the section concerning dividend policy it is unlikely that any dividends will be paid in the early years of operation of the Company, consequently the Directors intend to provide a range of benefits available only to shareholders.

Individuals to whom shares are issued pursuant to this prospectus will be entitled to one of the following benefits, subject to the following conditions. Please note that that benefits are not cumulative, benefits will be based on the aggregate number of shares issued to the shareholder.

| SHAREHOLDERS BENEFITS | |
|-----------------------|--|
| No of shares issued | Benefit |
| Up to 175 | 1 free return ticket each year. Excluding first day of service over full length of Railway. |
| 200 – 475 | 2 free return tickets each year. Excluding first day of service over full length of Railway. |
| 500 – 975 | 4 free return tickets each year. Excluding first day of service over full length of Railway. |
| 1000 – 1975 | "Bronze" pass. Unlimited travel for lifetime of applicant. Excluding first day of service over full length of Railway. |

Enterprise Investment Scheme

Subject to the limits referred to below, investment in the shares to be issued to individuals who are not employees or paid Directors of the company should qualify for income tax relief under the Enterprise Investment Scheme as introduced by the Finance Act 1994, provided both the investor and the Company comply with Enterprise Investment Scheme regulations.

On the basis of information submitted to the Inland Revenue, clearance has been obtained that the business is a qualifying business under the terms of the Enterprise Investment Scheme. The Inland Revenue has accepted all applications so far submitted as valid.

A condition of the relief is that the individual must subscribe at least £500. The maximum subscription or subscriptions in a tax year which attract the relief is £150,000. The individual is able to obtain tax relief at the lower rate (currently 20%) on the total of the amounts he has subscribed for EIS shares in the tax year or, if it is smaller, such an amount as will reduce his tax liability for that year to nil. EIS relief is normally given in the tax year in which the shares are issued.

Application and Payment

The Application Form that 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:

WyvernRail plc, Wirksworth Station, Coldwell Street, Wirksworth, Derbyshire, DE4 4FB.

Applicants should note that the Directors may close the Offer immediately if it is fully subscribed.

All payments must be made by cheque or bankers draft in pounds sterling drawn on a bank or building society in the United Kingdom, which is either a settlement member of the Cheque and Credit Clearing Company Limited, or the CHAPS and Town House Clearing Company Limited or a member of the Scottish or Belfast Clearing Houses, or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided by those companies or committees. All such cheques and bankers drafts must bear the appropriate sort code in the top right hand corner.

| | |
|--------------|---|
| 2000 – 4975 | "Silver" pass. Unlimited travel for lifetime of applicant, with guest. Excluding first day of service over full length of Railway. |
| 5000 or more | "Gold" pass. Unlimited travel for lifetime of applicant, with 3 guests. Including first day of service over full length of Railway. |

Shareholders will also be entitled to benefit from any special offers for travel that may be offered from time to time to local residents.

Conditions:

Free return tickets will be available for an initial period of five years after opening of the full Railway, and thereafter only at the discretion of the Directors.

All benefits are subject to the availability of services and are granted subject to the general conditions for the carriage of passengers as determined from time to time.

Benefits are not transferable unless where specifically stated and apply only to specific named holders.

Benefits are available only for normal service trains only, not special events except where specifically indicated otherwise.

EIS shares in the tax year or, if it is smaller, such an amount as will reduce his tax liability for that year to nil. EIS relief is normally given in the tax year in which the shares are issued.

In order to secure the tax relief available under the Enterprise Investment Scheme in respect of their subscription for shares, individuals are urged to contact their professional advisers for further details of the Scheme including the procedure for claiming relief. While the Directors intend to ensure as far as possible that Enterprise Investment relief will continue to be forthcoming to such individuals they can give no assurance that it will be.

Potential investors should note that these paragraphs provide only a condensed summary of current EIS legislation and should not be construed as constituting advice.

Cheques or bankers drafts should be made payable to WyvernRail PLC and crossed "Not negotiable – A/C Payee Only". It is a term of the offer that all cheques, which can be presented on receipt, will be honoured on first presentation. The Company reserves the right to seek special clearance of cheques.

The Company intends to bank all cheques and bankers drafts received with Application Forms. Application money will be held in a separate account in NatWest Bank PLC pending allotment. No interest will be paid on any application money.

If the offer is oversubscribed, the Directors will exercise their discretion to scale down applications.

Allotments to successful applicants will be made on reaching the Minimum Subscription. The Offer will be closed on 28 May 2002 unless the Minimum Subscription is achieved and at the discretion of the Directors it is extended beyond that date and share certificates will be sent or made, as applicable, to those persons entitled within 60 days after the date of allotment. Posting will be at the risk of the persons entitled to receive share certificates.

WyvernRail plc

Incorporated in England and Wales no. 02754846

I/ We apply for the number of shares mentioned below of Ordinary Shares of £1.00 each in the Company ("Shares") at £1.00 per Share and enclose my/ our remittance for the amount stated being the sum payable on application for such Shares.

PROCEDURE FOR APPLICATION

- (i) Insert at **A** the number of shares for which you are applying, together with the amount of your cheque or banker's draft. Applications should be for a minimum of 100 shares at a cost of £1.00 per share. Thereafter, applications should be in multiples of 25 shares.
- (ii) Complete in full details as requested at **B** and sign at **C**.
- (iii) The completed application form together with your cheque or bankers draft for the full amount payable on application should be sent so as to arrive as soon as possible to;

**WyvernRail plc, Wirksworth Station, Coldwell Street,
Wirksworth, Derbyshire, DE4 4FB**

A Please insert the total number of shares that you are applying for and the total amount payable on the application. If you are applying under the Enterprise Investment Scheme please tick the appropriate box.

| Total number of Shares (minimum £100 and thereafter in multiples of £25) | Amount Payable (minimum £100 and thereafter in multiples of £25) | Tick if E.I.S. Application |
|--|--|-------------------------------|
| | | |

To the Directors:

I/ We request you to allot to me/ us 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/ We 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/ our risk to the address first written below. I/ We warrant and declare that the due completion and delivery of this form accompanied by a remittance will constitute a legally enforceable promise to me/ us that the remittance attached will be met on first presentation and any such allotment is made strictly on this understanding.

B Please insert below in BLOCK CAPITALS details of the person(s) in whose name(s) the shares are to be registered

1. Forename(s) (in full) (state Mr. Mrs. Miss or title) _____

Surname _____

Address _____

Postcode _____

2. Forename(s) (in full) (state Mr. Mrs. Miss or title) _____

Surname _____

Address _____

Postcode _____

C Please sign below

Signed (1) _____ Date: _____

Signed (2) _____ Date: _____

Notes: Use one form per application. Photocopies of this application form are acceptable.
In the case of joint applications, correspondence will be sent to the first named person.