

**The A1 Steam Locomotive Trust
(A company limited by guarantee)**

Trustees' report
and
consolidated financial statements

Year ended 31st March 2016

Registered charity number 1022834

Registered company number 2636924

CHARITY COMMISSION
FIRST CONTACT

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Report of the trustees (including the Strategic Report) for the year

The trustees, who are also directors of the charity for the purposes of the Companies Act, present their annual report and the audited financial statements of the charitable company for the year ended 31 March, 2016. The trustees have adopted the provisions of the Statements of Recommended Practice (SORP) 'Accounting and Reporting by Charities' in preparing the annual report and financial statements of the charity.

Reference and administrative details

<u>Charity number:</u>	1022834
<u>Company number:</u>	2636924
<u>Registered Office:</u>	Darlington Locomotive Works, Hopetown Lane, Darlington, County Durham, DL3 6RQ
<u>Auditors:</u>	Haines Watts, Sterling House, 22 St Cuthbert's Way, Darlington, Co Durham, DL1 1GB
<u>Bankers:</u>	Yorkshire Bank plc, 46 High Street, Stockton on Tees, Cleveland, TS18 1SE
<u>Solicitors:</u>	Latimer Hinks, 5-8 Priestgate, Darlington, Co Durham, DL1 1NL
<u>Directors and trustees:</u>	

The directors of the charitable company (the charity) are its trustees for the purpose of charity law and throughout this report are referred to collectively as the trustees.

The trustees who served during the year and since the year end were as follows:

M C Allatt
G Bunker
D Burgess
D A Elliott
Mrs G Lord
R J Morland
J C Walker

Secretary: D Burgess

Fair review of the business

Objectives and activities

The principal activity of the charitable company is to build, preserve, operate and exhibit for public benefit, locomotives of historic or scientific importance. In particular the first objective of the Charitable company, the construction of a London & North Eastern Railway class A1 steam locomotive to the original design attributed to Arthur H Peppercom, is now complete. "Tornado" has received its first Intermediate Overhaul and has successfully re-entered service on the main line and construction of 2007 "Prince of Wales" continues at Darlington Locomotive Works. "

Report of the trustees for the year – continued

The policies adopted to further the objectives of the company were and continue to be:

- i) covenants and donations
- ii) sponsorship from British industry and commerce
- iii) assistance from local authorities and grant assistance bodies.
- iv) the seeking of funding from commercial lenders

It is believed that the charity's assets will be available and adequate to meet charitable company's objectives.

Public benefit

The charity's aims and achievements are set out within this report. The activities set out in this report have been undertaken to further the Trust's charitable purposes for the public benefit. The trustees have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charities Commission and the trustees have paid due regard to this guidance in deciding what activities the Trust should undertake.

Achievements and performance

"Tornado continued to perform well until withdrawn in October 2014 for its first scheduled Intermediate Overhaul which was carried out at Darlington Locomotive Works. This was completed in May 2015 and "Tornado" has successfully re-entered service with a more extensive programme on the main line and with visits to preserved lines in a much more busy period of activity. Construction work on 2007 "Prince of Wales" was suspended during the Intermediate Overhaul as there was insufficient space and labour to do both at the same time in Darlington Locomotive Works, however design, purchasing and fund raising continued and construction has now re-commenced with significant progress being made."

Financial Review

Income (excluding legacies) shows an overall increase of 14.35% compared with the 31.1% increase in the previous year. The increase is mainly due to donations in respect of the P2 steam locomotive.

Costs remain under very strict control although the Trust is not, of course, immune to the effects of the ever increasing cost of materials and services consumed.

The Trust would also like to thank its commercial sponsors, especially its premier sponsor William Cook Cast Products Ltd, for their continued and substantial support.

Plans for future periods

The Trustees primary objective is caring for the locomotive and support coach and progressing with the construction of 2007 "Prince of Wales"

'Tornado' re-entered service in May 2015 and fundraising for and construction of 2007 'Prince of Wales' will continue.

Report of the trustees for the year – continued

Structure, governance and management

Governing documents

The A1 Steam Locomotive Trust is a non-profit making company, registration number 2636924 and is limited by guarantee. The charitable company's governing documents are its Memorandum and Articles of Association originally dated 12th August, 1991 and Bye-laws adopted on 3rd November, 2001. The company is registered as a charity with the Charity Commission. Any person may become a member of the company upon approval of an application to this effect by the council of management of the company. There are currently seven members of the company each of whom has agreed to contribute £1 in the event of the charity being wound up.

Appointment of trustees

As set out in the Articles of Association, the council of management may from time to time and at any time appoint any member of the company as a member of the council, either to fill a casual vacancy or by way of addition to the council, provided that the prescribed maximum be not thereby exceeded. Any member so appointed shall retain his office only until the next annual general meeting, but he shall then be eligible for re-election. At every annual general meeting one-third of the members of the council for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. Any member so retiring may offer himself for re-election.

Trustee induction and training

New trustees will have already familiarised themselves with proceedings at council meetings as it is the policy of the company to invite potential trustees to attend council meetings prior to their appointment. Whilst trustees are free to attend seminars and training courses the company has no mandatory policy that they do so. Copies of the memorandum and articles of association and bye-laws are available to all trustees.

Related parties

The charitable company has four associated companies one of which, Tornado Steam Traction Limited, operates the completed locomotive, Tornado Merchandising Limited, deals with "Tornado" merchandise, Tender Construction Company Limited, successfully completed the construction of the tender for the locomotive but is presently dormant, and The P2 Steam Locomotive Company Limited its purpose being to build a new P2 class steam locomotive to be numbered 2007 and named 'Prince of Wales'.

Organisation

The affairs of the charitable company are managed by the council of management which consists of a minimum of three members and a maximum of fifteen members who act as directors of the company for the purposes of company law and trustees for the purposes of charity law. There are currently seven members of the council. The council meets every two months and a telephone meeting is held when necessary. Each member of the council is responsible for a particular area of the company's affairs and he reports to the council accordingly. A chairman is elected from the members of the council of management who assumes the overall responsibility for the day to day operations of the charitable company. No single trustee has the authority to bind the charitable company and it is policy that all material decisions require the approval of a majority of the council of management. All payments of charitable funds in excess of £500 require the approval of two trustees.

Report of the trustees for the year – continued

Risk management

The board has assessed and continues to assess the major risks to which the charity is exposed, in particular those relating to the operation of a new steam locomotive on the modern railway and finances of the charity, and is satisfied that systems are in place to mitigate exposure to the major risks facing the charity. The operating licence for the locomotive is fundamental to the objectives of the charity and thus the risks involved are the subject of constant review by the trustees and advice from individuals familiar with the necessary procedures is regularly obtained.

Trustees' responsibilities in relation to the financial statements

The trustees (who are also directors of The A1 Steam Locomotive Trust for the purposes of company law) are responsible for preparing the Trustees' Annual Report including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

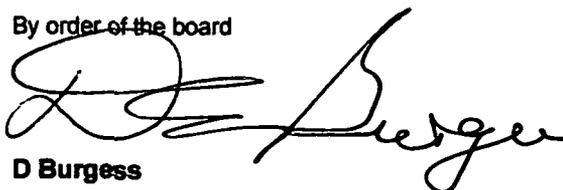
In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with the company's articles, a resolution for the reappointment of Haines Watts as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



D Burgess
Secretary

30 September 2016

Independent auditors report to the members and trustees of The A1 Steam Locomotive Trust

We have audited the financial statements of The A1 Steam Locomotive Trust for the year ended 31 March 2016 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and the Parent Charitable Company Balance Sheet, the Group and the Parent Charitable Company Cash Flow Statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the company's members and its trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditor

As explained more fully in the Trustees Responsibilities Statement set out on page 5, the Trustees (who are also the directors of The A1 Steam Locomotive Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Auditing Standards (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Stephen Easton FCA (Senior Statutory Auditor)
for and on behalf of Haines Watts
Chartered Accountants
Statutory Auditor

31/03/16

Sterling House
22 St Cuthbert's Way
Darlington
Co Durham

Consolidated statement of financial activities (including summary income and expenditure account) for the year ended 31 March 2016

	<i>Note</i>	2016 £	2015 £
Income:			
<i>Income from charitable activities:</i>			
Covenants	4	298,878	151,703
Donations and legacies	5	254,580	566,800
<i>Income from other trading activities:</i>			
Commercial trading operations	6	402,162	209,770
Investment income		80	455
Total income		<u>955,700</u>	<u>928,727</u>
Expenditure:			
<i>Expenditure on charitable activities:</i>			
Charitable activities	9	256,473	217,627
<i>Costs of raising funds:</i>			
Commercial trading operations	10	692,052	388,076
Total expenditure		<u>948,525</u>	<u>605,702</u>
Net income/expenditure before transfers		<u>7,175</u>	<u>323,025</u>
Transfers		-	-
Net movement in funds		<u>7,175</u>	<u>323,025</u>
Reconciliation of funds			
Funds brought forward at 1 April 2015		3,706,053	3,383,028
Funds carried forward at 31 March 2016	18	<u><u>3,713,226</u></u>	<u><u>3,706,053</u></u>

The statement of financial activities includes all gains and losses recognised in the year. All funds are unrestricted income funds save that if funds were given with a request that they be applied to the purchase of a specific part of the locomotive or the support coach, such request has been honoured.

The incoming resources and resulting net movement in funds arise from continuing operations.

Consolidated and Charity Balance Sheets as at 31 March 2016

	Note	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Fixed assets					
Tangible assets	14	3,325,421	3,106,464	2,819,672	2,884,463
Investments	15	-	-	302	302
		<u>3,325,421</u>	<u>3,106,464</u>	<u>2,819,974</u>	<u>2,884,765</u>
Current assets					
Stock		93,423	86,544	-	-
Debtors	17	55,384	57,035	719,401	347,346
Cash at bank and in hand		303,144	529,050	118,724	403,527
		<u>451,951</u>	<u>672,629</u>	<u>838,125</u>	<u>750,873</u>
Creditors: amounts falling due within one year	18	<u>(64,146)</u>	<u>(73,040)</u>	<u>(10,717)</u>	<u>(38,758)</u>
Net current assets		<u>387,805</u>	<u>599,589</u>	<u>827,408</u>	<u>712,115</u>
Total assets less current liabilities		<u>3,713,226</u>	<u>3,706,053</u>	<u>3,647,382</u>	<u>3,596,880</u>
Net assets		<u>3,713,226</u>	<u>3,706,053</u>	<u>3,647,382</u>	<u>3,596,880</u>
The funds of the charity					
Unrestricted general fund	18	3,704,638	3,697,465	3,638,794	3,588,292
Revaluation reserve	18	8,588	8,588	8,588	8,588
		<u>3,713,226</u>	<u>3,706,053</u>	<u>3,647,382</u>	<u>3,596,880</u>

The trustees have prepared the group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

The notes at pages 11 to 22 form part of these accounts.

These financial statements were approved by the board of trustees on 30 Sept. 2016 and were signed on its behalf by:


D Burgess
Trustee

Statement of Cash Flows and Consolidated Statement of Cash Flows as at 31 March 2016

	Note	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Net cash flow from operating activities:					
<i>Net cash provided by/ (used in) operating activities</i>	20	<u>60,978</u>	<u>344,600</u>	<u>(282,220)</u>	<u>207,136</u>
Cash flow from investing activities					
Interest received		80	455	65	417
Purchase of fixed assets		(286,964)	(224,987)	(2,648)	(4,746)
Repayment of bonds		-	(56,400)	-	(56,400)
<i>Net cash provided by/ (used in) investing activities</i>		<u>(286,884)</u>	<u>(280,932)</u>	<u>(2,583)</u>	<u>(60,729)</u>
Change in cash and cash equivalents in the reporting period		(225,906)	63,668	(284,803)	146,407
Cash and cash equivalents at the beginning of the year		529,050	465,382	403,527	257,120
Cash and cash equivalents at the end of the year		<u>303,144</u>	<u>529,050</u>	<u>118,724</u>	<u>403,527</u>
Cash and cash equivalents consist of:					
Cash at bank and in hand		<u>303,144</u>	<u>529,050</u>	<u>118,724</u>	<u>403,527</u>

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014, Charities SORP (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

The date of transition to FRS 102 was 1 April 2014. The reported financial position and financial performance for the previous periods are not affected by the transition to FRS 102.

The A1 Steam Locomotive Trust meets the definition of a public benefit under FRS 102. The financial statements are prepared under the historical cost convention or transaction value unless otherwise stated in the relevant accounting policy note(s). The financial statements are prepared in Sterling which is the functional currency of the charity and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

1.2 Going Concern

The directors have reviewed the anticipated incoming resources of the charity for the year 2016/17 and have taken action to match the level of activities carried out by the charity to the anticipated level of income available.

1.3 Group Financial Statements

The financial statements consolidate the results of the charity and its wholly owned subsidiary companies, Tornado Steam Traction Limited, Tornado Merchandising Limited, and The P2 Steam Locomotive Company Limited on a line by line basis. A separate Statement of Financial Activities for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 403 of the Companies Act 2006.

1.4 Income recognition

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

Income from trading activities includes income earned from the hire of the A1 Locomotive and sale of merchandise. Income received in exchange for supplying services in order to raise funds and is recognised when entitlement has occurred. Income received for the supply of goods is recognised when the risk and rewards of ownership have been transferred.

Investment income includes interest which is recognised when receivable.

Notes to the financial statements (continued)

1.5 Donated services and facilities

Donated services and facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have met, the receipt of economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time is not recognised.

Donated services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent benefit on the open market; a corresponding amount is then recognised in the expenditure for the period.

1.6 Fund accounting

Unrestricted funds are available to spend in activities that further any of the purposes of the charity. Designated funds are unrestricted funds for the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donation which the donor has specified are to be solely used for particular areas of the Trust's work or for specific projects.

1.7 Expenditure recognition

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the following headings:

Expenditure on charitable activities includes direct and support costs incurred in the management of the charity's activities

Other trading expenditure represents costs incurred in raising funds from the sale of goods and services those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

1.8 Support costs allocation

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs, administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity.

Fund-raising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

The analysis of these costs is included in note 11.

Notes to the financial statements (continued)

1.9 Fixed assets and depreciation

Tangible fixed assets are stated at cost or deemed cost and subsequently measured at cost or valuation less accumulated depreciation and accumulated impairment losses.

The A1 locomotive and its support coach is depreciated over a period of twenty years in equal annual instalments to its residual value of £1.5 million.

The P2 Steam locomotive is an asset in the course of construction and therefore no depreciation has been charged.

Otherwise depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings and equipment	-	25% per annum
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1.10 Investments

Investments are stated at market value according to the guidelines of the Statement of Recommended Practice: Accounting by Charities.

1.11 Stock of merchandise and locomotive spares

Stock of the above items are valued at the lower of cost or net realisable value.

1.12 Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.13 Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.14 Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement after allowing for any trade discounts due.

1.15 Taxation

The A1 Steam Locomotive Trust is a registered charity and is potentially exempt from tax on those categories of income covered by Section 505 of the Income and Corporation Taxes Act 1988, to the extent that this income is applied for charitable purposes.

Notes to the financial statements (continued)

1.16 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.17 Judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of The A1 Steam Locomotive Trust's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability, expected future financial performance of the asset and depreciated replacement cost.

Other key sources of estimation uncertainty:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

2 Legal status

A1 Steam Locomotive Trust is a company limited by guarantee, registered in England and Wales (Company Number 2636924). There are currently seven trustees who are members of the company each of whom has guaranteed to contribute an amount not exceeding £1 in the event of the company being wound up during the time they are members or within one year thereafter.

Notes to the financial statements (continued)

3 Financial performance of the charity

	2016	2015
	£	£
Incoming resources	558,383	744,919
Less: Costs of generating funds	<u>(28,963)</u>	<u>(7,485)</u>
Net incoming resources available for charitable application	529,420	737,434
Charitable expenditure	<u>(158,856)</u>	<u>(138,034)</u>
Net incoming resources before exceptional items	370,564	599,400
Provision against loan to Tornado Steam Traction Limited	<u>(320,063)</u>	<u>(206,689)</u>
Net incoming resources after exceptional items	50,501	392,711
Total funds brought forward	<u>3,596,880</u>	<u>3,204,169</u>
Total funds carried forward	<u><u>3,647,382</u></u>	<u><u>3,596,880</u></u>
Represented by:		
Unrestricted income funds	3,638,794	3,588,292
Revaluation reserve	8,588	8,588
Bond repayment reserve	<u>-</u>	<u>-</u>
	<u><u>3,647,382</u></u>	<u><u>3,596,880</u></u>

4 Income from charitable activities

	2016	2015
	£	£
Covenants	298,878	151,703
	<u>298,878</u>	<u>151,703</u>

5 Income from donations

	2016	2015
	£	£
Donations	81,270	421,923
Gift Aid	99,769	112,118
Other Income	<u>73,541</u>	<u>32,759</u>
	<u><u>254,580</u></u>	<u><u>566,800</u></u>

The trust benefits from the support of volunteers within the running of the income generating activities and the administration of the charity. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the financial statements.

Notes to the financial statements (continued)

6 Income from trading activities

	2016	2015
	£	£
Hire of locomotive	374,818	159,171
Merchandise sales	<u>27,344</u>	<u>50,599</u>
	<u>402,162</u>	<u>209,770</u>

The consolidated statement of financial activities includes the results of the charity's wholly owned subsidiaries Tornado Steam Traction Limited and Tornado Merchandising Limited, which operate the locomotive and sell merchandise respectively, and the P2 Steam Locomotive Company.

The summary financial performance of the subsidiaries is shown below:

	The P2 Steam Locomotive Company Limited £	Tornado Steam Traction Ltd £	Tornado Merchandising Limited £	Total 2016 £	Total 2015 £
Turnover	1,494	374,818	42,990	419,302	209,770
Cost of sales and administration costs	(75,542)	(667,792)	(39,372)	(782,706)	(460,183)
Interest receivable	-	13	2	15	38
Net Profit	<u>(74,048)</u>	<u>(292,961)</u>	<u>3,620</u>	<u>(363,389)</u>	<u>(250,376)</u>
The assets and liabilities of the subsidiaries were:					
Fixed assets	503,840	1,099	810	505,749	222,001
Current assets	208,953	106,134	37,015	352,102	260,791
Current liabilities	<u>(735,500)</u>	<u>(920,144)</u>	<u>(31,817)</u>	<u>(1,687,461)</u>	<u>(949,013)</u>
	<u>(22,707)</u>	<u>(812,911)</u>	<u>6,008</u>	<u>(829,610)</u>	<u>(466,221)</u>
Aggregate share capital and reserves	<u>(22,707)</u>	<u>(812,911)</u>	<u>6,008</u>	<u>(829,610)</u>	<u>(466,221)</u>

7 Income from investments

All of the charitable company's investment income arises from the interest on money held in interest bearing deposit accounts.

Notes to the financial statements (continued)

8 Analysis of income and surplus for the year

All income and the surplus for the year are derived from the charitable company's principal activity.

	2016 £	2015 £
<i>The surplus for the year is stated: after charging</i>		
Auditors remuneration	3,500	3,500
Accountancy and other services	6,017	5,607
Depreciation	68,006	65,836
Bond interest payable	-	(7,266)

9 Analysis of expenditure on charitable activities

	2016 £	2015 £
Charitable activities	144,104	140,426
Support costs	112,369	77,201
	<u>256,473</u>	<u>217,627</u>

10 Analysis of expenditure on trading activities

	2016 £	2015 £
Trading activities	692,052	388,076
	<u>692,052</u>	<u>388,076</u>

11 Support costs

	2016 £	2015 £
Depreciation	68,006	65,836
Printing, postage, stationery and administration	9,855	5,909
Legal and professional	8,717	-
Consultancy fees	18,561	-
Telephone	346	170
Interest payable and similar charges	868	1,149
Sundry expenses	2,516	637
Governance costs	3,500	3,500
	<u>112,369</u>	<u>77,201</u>

Notes to the financial statements (continued)

12 Governance costs

	2016 £	2015 £
Auditor's remuneration	3,500	3,500
	<u>3,500</u>	<u>3,500</u>

13 Analysis of staff costs

The trustees of the charitable company do not receive any remuneration, with the exception of one trustee who is remunerated as a contractor for special projects because of his particular skills, as permitted under the Memorandum and Articles of Association of the Company. During the year the trustee received £44,693 for services as a contractor. Direct expenses incurred by trustees are reimbursed, if claimed. The charity employed a Project Administrator with effect from 8th September 2014. All work is performed on a voluntary basis with the exception of sub-contracted management and labour which is capitalised.

The number of employees who received total employee benefits (excluding employer pension costs) of more than £60,000 is as follows: none (2015 – none).

The charity trustees were not paid or received any other benefits from employment in the year (2015 – £nil) neither were they reimbursed expenses during the year (2015 - £nil). No charity trustee received payment for professional or other services supplied to the charity (2015 - £nil).

The key management personnel of the charity comprise the trustees. The total employee benefits of the key management personnel of the charity were £44,693, as disclosed above.

Notes to the financial statements (continued)

14 Tangible fixed assets

Group	A1 Locomotive	P2 Locomotive	Mark 1 Coach E21249	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£
Cost or valuation					
At 31 March 2015	2,816,716	220,240	460,561	74,820	3,572,337
Additions	-	283,600	-	3,364	286,964
Disposals	-	-	-	-	-
At 31 March 2016	<u>2,816,716</u>	<u>503,840</u>	<u>460,561</u>	<u>78,184</u>	<u>3,859,301</u>
Depreciation					
At 31 March 2015	395,285	-	-	70,588	465,873
Charge for year	65,836	-	-	2,197	68,033
At 31 March 2016	<u>461,121</u>	<u>-</u>	<u>-</u>	<u>72,784</u>	<u>533,905</u>
Net book value					
At 31 March 2016	<u>2,355,595</u>	<u>503,840</u>	<u>460,561</u>	<u>5,398</u>	<u>3,325,394</u>
At 31 March 2015	<u>2,421,431</u>	<u>220,240</u>	<u>460,561</u>	<u>4,232</u>	<u>3,106,464</u>

The P2 Steam locomotive is an asset in the course of construction and therefore no depreciation has been charged.

Notes to the financial statements (continued)

Tangible fixed assets (continued)

Company	A1 Locomotive	P2 Locomotive	Mark 1 Coach E21249	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£
Cost or valuation					
At 31 March 2015	2,816,716	-	460,561	65,293	3,337,824
Additions	-	-	-	2,648	2,648
Disposals	-	-	-	-	-
At 31 March 2016	<u>2,816,716</u>	<u>-</u>	<u>460,561</u>	<u>67,941</u>	<u>3,345,218</u>
Depreciation					
At 31 March 2015	395,285	-	-	62,823	392,272
Charge for year	65,836	-	-	1,602	67,438
At 31 March 2016	<u>461,121</u>	<u>-</u>	<u>-</u>	<u>64,425</u>	<u>525,546</u>
Net book value					
At 31 March 2016	<u>2,355,595</u>	<u>-</u>	<u>460,561</u>	<u>3,516</u>	<u>2,819,672</u>
At 31 March 2015	<u>2,421,431</u>	<u>-</u>	<u>460,561</u>	<u>3,760</u>	<u>2,884,462</u>

The locomotive was revalued in the year ended 31 March 1994, subsequent construction work is included at cost. Fixtures and fittings, tools and equipment are stated at cost with the exception of tools machinery and equipment, received by way of gift all of which are now written off.

The Trustees have carried out an impairment review to determine the net realisable value and the value in use of both the locomotive and coach. The value in use is considered to be greater than the net book value based upon the replacement cost of the asset.

Notes to the financial statements (continued)

15 Investments

Details of the subsidiaries of The A1 Steam Locomotive Trust are shown below:

Name	Status	Company number	Ordinary £1 Share capital	Control
The P2 Steam Locomotive Company Limited	Trading	08549849	2	100%
Tornado Steam Traction Ltd	Trading	04336467	100	99%
Tornado Merchandising Limited	Trading	07357964	1	100%
Tender Construction Company Limited	Dormant	05417383	100	99%

16 Debtors

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Trade debtors	20,357	24,841	-	3,029
Amount due from The A1 Steam Locomotive Trust	-	-	-	-
Amount due from Tornado Steam Traction Limited	-	-	-	-
Amount due from Tornado Merchandising Limited	-	-	30,353	27,087
Amount due from The P2 Steam Locomotive Company	-	-	694,373	300,931
Income tax recoverable	-	-	-	-
VAT recoverable	26,010	28,363	(5,325)	13,687
Other debtors	9,017	3,831	-	2,612
	55,384	57,035	719,401	347,346

17 Creditors: amounts falling due within one year

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Trade creditors	57,680	63,945	3,660	29,071
Amount due to Tender Construction Company Limited	-	-	591	591
Amount due to Tornado Merchandising Limited	-	-	-	-
VAT liability	-	-	-	-
Accruals and deferred income	6,466	1,830	6,466	1,830
Bond interest payable and income tax thereon	-	7,265	-	7,266
	64,146	73,040	10,717	38,758

Notes to the financial statements (continued)

18 Reserves

	Revaluation Reserve £	General Fund £	Total £
Group			
At 31 March 2015	8,588	3,697,465	3,706,053
Surplus for the year	-	7,175	7,175
Transfer	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2016	8,588	3,704,640	3,713,228
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Charity			
At 31 March 2015	8,588	3,588,292	3,596,880
Surplus for the year	-	50,501	50,501
Transfer	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2016	8,588	3,638,793	3,647,381
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In the opinion of the trustees' sufficient resources are held in an appropriate form for each reserve to be applied in accordance with any restrictions imposed.

19 Related party transactions

During the year, there were no transactions with any related parties other than intercompany transactions between the parent and subsidiaries which have been conducted on an arm's length basis and eliminated on consolidation.

20 Reconciliation of consolidated net income/(expenditure) to net cash flow from operating activities

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Net income for the year	7,175	323,025	50,501	392,711
Interest received	(80)	(455)	(65)	(416)
Depreciation of tangible fixed assets	68,006	65,836	67,438	65,836
Loss/(profit) on sale of fixed assets	-	-	-	-
Decrease/(increase) in debtors	1,651	(35,025)	(372,055)	(273,658)
(Decrease)/increase in creditors	(8,895)	(17,341)	(28,039)	22,663
(Decrease)/increase in stock	(6,879)	8,560	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash flow from operating activities	60,978	344,600	(282,220)	207,136
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>