

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

Trustees' report  
and  
consolidated financial statements

Year ended 31 March 2019

Registered charity number 1022834  
Registered company number 2636924

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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 2019. 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  
P Bruce  
G Bunker  
D Burgess (Resigned on 21 January 2019)  
D A Elliott  
G P Langer  
H J Parker (Appointed on 16 November 2018)  
R J Morland (Resigned on 15 December 2018)  
J C Walker

### 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 Peppercorn, is now complete and has been in operation successfully for nearly ten years 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" continues to perform well on the main line and preserved railways and in the past financial year has undertaken some high profile work, in particular appearance in the film Paddington 2 and the successful certification to be permitted to run at 90mph on the national network. Unfortunately the locomotive suffered a failure of its middle cylinder motion on 14<sup>th</sup> April 2018. Although repairs have now been completed and the locomotive is operating on preserved lines, at the time of writing, recertification to be allowed back onto the national network has not yet been completed but is expected to allow reintroduction into service in the new year. Construction work on 2007 "Prince of Wales" is still progressing well at Darlington Locomotive Works, and the locomotive has been wheeled and with major components on order. The project is still on schedule for completion by the end of 2021, funds permitting.

### Financial Review

Income (excluding legacies) shows an overall increase of 29.4% compared with the 48.4% 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 continues to guarantee and support the activities of Tornado Steam Traction Limited in operating the locomotive and neither the Trust nor any of its subsidiaries has any bank loans, overdrafts or outside debt. The Trustees have decided it is prudent to accumulate funds to cover the next major overhaul of the locomotive. Having raised the necessary funds during the financial year the lease on the tender was repaid in June 2018, over two years early. The general reserves of the group that have not been designated at 31 March 2018 were £4,327,931.

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.

## Report of the trustees for the year – continued

### 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”. Trustees have announced plans to purchase, modify and put into service its own rake of coaches becoming available from the national network to eliminate the need to hire in coaches for its trains, with the inherent costs thereof and also the intention to move the works to a new site in Whessoe Road, Darlington. The premises identified are a historic railway shed and once renovated will provide much more extensive facilities to enhance the Trust’s operations. Discussions are proceeding with Network Rail, local authorities and others as appropriate. Both projects are subject to suitable finance being secured as it is recognised that it is not possible or desirable to fund them from donations. The Trust has also announced that the third locomotive to be built after the P2 will be a V4 class locomotive.

### 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 12<sup>th</sup> August 1991 and Bye-laws adopted on 3<sup>rd</sup> 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, The P2 Steam Locomotive Company Limited, its purpose being to build the new P2 class steam locomotive and Tender Construction Company Limited, which successfully completed the construction of the tender for the locomotive, but since repayment of the lease to William Cook Cast Products Limited, has been renamed The V4 Steam, Locomotive Company Limited, its purpose being to build the new V4 locomotive.

## **Report of the trustees for the year – continued**

### 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.

### 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.

### Fundraising

Neither the Trust nor its subsidiaries employ or utilise any outside person or organisation to carry out fundraising on its behalf. The public are invited to donate to the charity by distribution of leaflets and advertisements in relevant railway journals or by accessing the Trusts website, but no individual or group is approached direct unless the Trust is invited to do so. No complaints have ever been received about its fundraising activities.

## **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

**J C Walker**  
*Trustee*

Date

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

### Opinion

We have audited the financial statements of The A1 Steam Locomotive Trust (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2019 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2019, 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## **Independent auditors report to the members and trustees of The A1 Steam Locomotive Trust (Continued)**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement [set out on page 5], the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed auditor under the Companies Act 2006 and report in accordance with this Act.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Independent auditors report to the members and trustees of The A1 Steam Locomotive Trust (Continued)**

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 Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charitable company's members and its trustees those matters we are required to state to them in an auditor's 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 the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

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

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 2019

	Note	Unrestricted funds £	Designated funds £	Total 2019 £	Total 2018 £
<b>Income:</b>					
<i>Income from charitable activities:</i>					
Covenants	4	394,130	-	<b>394,130</b>	357,213
Donations and legacies	5	414,793	-	<b>414,793</b>	435,074
<i>Income from other trading activities:</i>					
Commercial trading operations	6	697,620	-	<b>697,620</b>	1,071,031
Investment income		55	-	<b>55</b>	11
<b>Total income</b>		<b>1,506,599</b>	<b>-</b>	<b>1,506,599</b>	<b>1,863,329</b>
<b>Expenditure:</b>					
<i>Expenditure on charitable activities:</i>					
Charitable activities	9	376,946	-	<b>376,946</b>	341,529
<i>Costs of raising funds:</i>					
Commercial trading operations	10	854,132	-	<b>852,499</b>	1,166,134
<b>Total expenditure</b>		<b>1,231,078</b>	<b>-</b>	<b>1,231,078</b>	<b>1,507,663</b>
<b>Net income/expenditure before transfers</b>		<b>275,522</b>	<b>-</b>	<b>275,522</b>	<b>355,666</b>
Transfers		-	-	-	-
<b>Net movement in funds</b>		<b>275,522</b>	<b>-</b>	<b>275,522</b>	<b>355,666</b>
<b>Reconciliation of funds</b>					
Funds brought forward at 1 April 2018		4,336,521	113,232	<b>4,449,753</b>	4,094,087
<b>Funds carried forward at 31 March 2019</b>	18	<b>4,612,043</b>	<b>113,232</b>	<b>4,725,275</b>	<b>4,449,753</b>

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 2019

	<i>Note</i>	<b>Group 2019 £</b>	<b>Group 2018 £</b>	<b>Charity 2019 £</b>	<b>Charity 2018 £</b>
<b>Fixed assets</b>					
Tangible assets	14	<b>4,054,804</b>	3,688,119	<b>2,757,277</b>	2,644,921
Investments	15	-	-	<b>304</b>	302
		<b>4,054,804</b>	3,688,119	<b>2,757,579</b>	2,645,223
<b>Current assets</b>					
Stock		<b>78,360</b>	81,239	<b>702</b>	702
Debtors	16	<b>77,050</b>	167,350	<b>1,920,846</b>	1,414,867
Cash at bank and in hand		<b>708,405</b>	765,998	<b>287,341</b>	467,325
		<b>863,814</b>	1,014,588	<b>2,208,889</b>	1,882,895
<b>Creditors: amounts falling due within one year</b>	17	<b>(193,347)</b>	(252,956)	<b>(15,919)</b>	(15,504)
<b>Net current assets</b>		<b>670,467</b>	761,632	<b>2,192,972</b>	1,867,391
<b>Net assets</b>		<b>4,725,272</b>	4,449,751	<b>4,950,551</b>	4,512,614
<b>The funds of the charity</b>					
Unrestricted general fund	18	<b>4,603,453</b>	4,327,931	<b>4,828,731</b>	4,390,794
Designated funds					
- Leasehold fund		<b>105,204</b>	105,204	<b>105,204</b>	105,204
- Overhaul fund		<b>8,028</b>	8,028	<b>8,028</b>	8,028
Revaluation reserve	18	<b>8,588</b>	8,588	<b>8,588</b>	8,588
		<b>4,725,272</b>	4,449,751	<b>4,950,551</b>	4,512,614

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 12 to 24 form part of these accounts.

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

**J C Walker**  
Trustee

## Statement of Cash Flows and Consolidated Statement of Cash Flows as at 31 March 2019

	<i>Note</i>	<b>Group 2019 £</b>	Group 2018 £	<b>Charity 2019 £</b>	Charity 2018 £
<b>Net cash flow from operating activities:</b>					
<i>Net cash provided by/ (used in) operating activities</i>	<i>20</i>	<u><b>402,877</b></u>	<u>481,471</u>	<u><b>20,259</b></u>	<u>185,516</u>
<b>Cash flow from investing activities</b>					
Interest received		<b>55</b>	11	<b>46</b>	7
Purchase of fixed assets		<b>(460,480)</b>	(223,446)	<b>(205,575)</b>	(3,095)
Proceeds from sale of fixed assets		-	-	-	-
Repayment of bonds		-	-	-	-
<i>Net cash provided by/ (used in) investing activities</i>		<u><b>(460,425)</b></u>	<u>(223,435)</u>	<u><b>(205,529)</b></u>	<u>(3,088)</u>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(57,548)</b>	258,036	<b>(185,270)</b>	182,428
Cash and cash equivalents at the beginning of the year		<b>765,998</b>	507,963	<b>467,325</b>	284,897
<b>Cash and cash equivalents at the end of the year</b>		<u><u><b>708,405</b></u></u>	<u><u>765,998</u></u>	<u><u><b>282,055</b></u></u>	<u><u>467,325</u></u>
<b>Cash and cash equivalents consist of:</b>					
Cash at bank and in hand		<u><b>708,405</b></u>	<u>765,998</u>	<u><b>282,055</b></u>	<u>467,325</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 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 2019/20 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 and The V4 Steam Locomotive Company 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, and 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 donations 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, and 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
Computer equipment	-	3 years straight line

### **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

	2019 £	2018 £
Incoming resources	825,464	792,293
Less: Costs of generating funds	<u>(27,456)</u>	<u>(40,217)</u>
Net incoming resources available for charitable application	798,008	752,076
Charitable expenditure	<u>(179,839)</u>	<u>(225,087)</u>
Net incoming resources before exceptional items	618,169	526,989
Provision against loan to Tornado Steam Traction Limited	<u>(180,232)</u>	<u>(136,604)</u>
Net incoming resources after exceptional items	437,937	390,385
Total funds brought forward	<u>4,512,614</u>	<u>4,122,229</u>
Total funds carried forward	<u><u>4,950,551</u></u>	<u><u>4,512,614</u></u>
Represented by:		
Unrestricted income funds	4,941,963	4,504,026
Revaluation reserve	8,588	8,588
Bond repayment reserve	<u>-</u>	<u>-</u>
	<u><u>4,950,551</u></u>	<u><u>4,512,614</u></u>

### 4 Income from charitable activities

	2019 £	2018 £
Covenants	394,130	357,213
	<u><u>394,130</u></u>	<u><u>357,213</u></u>

### 5 Income from donations

	2019 £	2018 £
Donations	270,280	255,199
Gift Aid	118,527	111,229
Other Income	<u>25,986</u>	<u>68,726</u>
	<u><u>414,793</u></u>	<u><u>435,074</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

	2019	2018
	£	£
Hire of locomotive	<b>657,169</b>	1,013,604
Merchandise sales	<b>40,451</b>	57,427
	<b><u>697,620</u></b>	<b><u>1,071,031</u></b>

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	The V4 Construction Company	Total 2019	Total 2018
	£	£	£	£	£	£
Turnover	14,794	657,169	25,657	-	<b>697,620</b>	<b>1,071,031</b>
Cost of sales and administration costs	(154,657)	(850,342)	(14,546)	(4,333)	<b>(1,023,878)</b>	<b>(1,242,359)</b>
Other income				100	<b>100</b>	-
Interest receivable	-	2	7	-	<b>9</b>	<b>4</b>
Net Profit	<b><u>(139,863)</u></b>	<b><u>(193,171)</u></b>	<b><u>11,119</u></b>	<b><u>(4,233)</u></b>	<b><u>(326,148)</u></b>	<b><u>(171,324)</u></b>
The assets and liabilities of the subsidiaries were:						
Fixed assets	1,296,044	1,384	99	-	<b>1,297,527</b>	<b>1,043,198</b>
Current assets	355,218	192,208	27,069	2,060	<b>576,555</b>	<b>549,104</b>
Current liabilities	(1,923,675)	(1,397,347)	(14,010)	(5,697)	<b>(3,340,729)</b>	<b>(2,716,801)</b>
	<b><u>(272,413)</u></b>	<b><u>(1,203,755)</u></b>	<b><u>13,159</u></b>	<b><u>(3,637)</u></b>	<b><u>(1,466,646)</u></b>	<b><u>(1,124,499)</u></b>
Aggregate share capital and reserves	<b><u>(272,413)</u></b>	<b><u>(1,203,755)</u></b>	<b><u>13,159</u></b>	<b><u>(3,637)</u></b>	<b><u>(1,466,646)</u></b>	<b><u>(1,124,499)</u></b>

### 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.

	2019 £	2018 £
<i>The surplus for the year is stated after charging:</i>		
Auditors remuneration	3,500	3,500
Accountancy and other services	2,592	4,650
Depreciation	93,219	92,178

### 9 Analysis of expenditure on charitable activities

	2019 £	2018 £
Charitable activities	242,867	173,097
Support costs	134,079	168,432
	<u>376,946</u>	<u>341,529</u>

### 10 Analysis of expenditure on trading activities

	2019 £	2018 £
Trading activities	854,132	1,166,134
	<u>854,132</u>	<u>1,166,134</u>

### 11 Support costs

	2019 £	2018 £
Depreciation	93,219	92,178
Printing, postage, stationery and administration	21,806	53,209
Legal and professional	-	8,804
Consultancy fees	813	416
Telephone	675	938
Interest payable and similar charges	1,709	1,206
Sundry expenses	12,357	8,181
Governance costs	3,500	3,500
	<u>134,079</u>	<u>168,432</u>

## Notes to the financial statements (continued)

### 12 Governance costs

	2019 £	2018 £
Auditor's remuneration	3,500	3,500
	<u>3,500</u>	<u>3,500</u>

### 13 Analysis of staff costs

	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Wages	55,520	21,893	-	-
National Insurance	3,132	100	-	-
Pension	804	-	-	-
	<u>59,456</u>	<u>21,993</u>	<u>-</u>	<u>-</u>
	<u><u>5</u></u>	<u><u>4</u></u>	<u><u>3</u></u>	<u><u>3</u></u>
	<u><u>5</u></u>	<u><u>4</u></u>	<u><u>3</u></u>	<u><u>3</u></u>

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. Direct expenses incurred by trustees are reimbursed, if claimed. Due to the increasing workload, the charity now has three direct employees working in Darlington Locomotive Works, being the Office Manager, an administrator and an Assistant Mechanical Engineer. A Works Manager is being recruited. All other 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 (2018 – none).

The charity trustees were not paid or received any other benefits from employment in the year (2018 – £nil). During the year expenses reimbursed by the group totalled £1,943 which were travel expenses for 4 trustees. No charity trustee received payment for professional or other services supplied to the charity (2018 - £nil).

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

**Notes to the financial statements (continued)**

**14 Tangible fixed assets**

**Group**

	<b>A1 Locomotive</b>	<b>P2 Locomotive</b>	<b>Mark 1 Coach E21249</b>	<b>Fixtures, fittings, tools and equipment</b>	<b>Total</b>
	£	£	£	£	£
<b>Cost or valuation</b>					
At 31 March 2018	2,816,716	1,042,443	460,561	81,455	4,401,175
Additions	-	453,678	-	6,802	460,480
Disposals	-	-	-	-	-
At 31 March 2019	<b>2,816,716</b>	<b>1,496,121</b>	<b>460,561</b>	<b>88,257</b>	<b>4,861,578</b>
<b>Depreciation</b>					
At 31 March 2018	592,847	-	46,110	74,100	713,057
Charge for year	65,890	-	23,028	4,879	93,797
Depreciation on disposals	-	-	-	-	-
At 31 March 2019	<b>658,737</b>	-	<b>69,138</b>	<b>78,979</b>	<b>806,854</b>
<b>Net book value</b>					
At 31 March 2019	<b>2,157,979</b>	<b>1,496,121</b>	<b>391,423</b>	<b>9,278</b>	<b>4,054,804</b>
At 31 March 2018	<b>2,223,869</b>	<b>1,042,443</b>	<b>414,451</b>	<b>7,355</b>	<b>3,688,118</b>

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	Mark 1 Coach E21249	P2 Locomotive	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 31 March 2018	2,816,716	460,561	-	76,642	3,353,919
Additions	-	-	200,000	5,575	205,575
Disposals	-	-	-	-	-
At 31 March 2019	<b>2,816,716</b>	<b>460,561</b>	<b>200,000</b>	<b>82,217</b>	<b>3,559,494</b>
<b>Depreciation</b>					
At 31 March 2018	592,847	46,056	-	70,096	708,999
Charge for year	65,890	23,028	-	4,301	93,219
At 31 March 2019	<b>658,737</b>	<b>69,084</b>	<b>-</b>	<b>74,397</b>	<b>802,218</b>
<b>Net book value</b>					
At 31 March 2019	<b>2,157,979</b>	<b>391,477</b>	<b>200,000</b>	<b>7,820</b>	<b>2,757,276</b>
At 31 March 2018	<b>2,223,869</b>	<b>414,505</b>	<b>-</b>	<b>6,546</b>	<b>2,644,920</b>

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	100	100%
The V4 Steam Locomotive Company Limited	Dormant	05417383	100	99%
21 <sup>st</sup> Century Steam Limited	Dormant	11330729	1	100%
21 <sup>st</sup> Century Rolling Stock Limited	Dormant	11331808	1	100%

### 16 Debtors

	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Trade debtors	<b>1,304</b>	51,052	-	4,019
Amount due from Tornado Steam Traction Limited	-	-	<b>718</b>	-
Amount due from Tornado Merchandising Limited	-	-	<b>11,122</b>	20,303
Amount due from The P2 Steam Locomotive Company	-	-	<b>1,908,505</b>	1,390,546
Amount due from The V4 Steam Locomotive Company Limited	-	-	<b>500</b>	-
VAT recoverable	<b>37,934</b>	50,483	-	-
Other debtors	<b>37,812</b>	65,815	-	-
	<b>77,050</b>	167,350	<b>1,920,846</b>	1,414,867

### 17 Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Trade creditors	<b>182,249</b>	242,990	<b>1,403</b>	6,195
Amount due to Tender Construction Company Limited	-	-	<b>591</b>	591
Amount due to P2 Steam Locomotive Company	-	-	<b>3,346</b>	-
Amount due to P2 Steam Locomotive – Construction Loan	-	-	<b>718</b>	-
Other related creditors	-	-	<b>2</b>	-
Accruals and deferred income	<b>4,869</b>	6,466	<b>6,466</b>	6,466
PAYE	<b>2,836</b>	1,004	-	-
VAT Liability	<b>3,393</b>	2,497	<b>3,393</b>	2,252
	<b>193,347</b>	252,956	<b>15,919</b>	15,504



## Notes to the financial statements (continued)

### 18 Reserves

	Revaluation Reserve	General Fund	Designated Leasehold fund	Designated Overhaul fund	Total
	£	£	£	£	£
Group					
At 31 March 2018	8,588	4,327,931	105,204	8,028	4,449,751
Income for the year	-	1,506,599	-	-	1,506,599
Expenditure for the year	-	(1,231,078)	-	-	(1,231,078)
Transfer	-	-	-	-	-
	<u>8,588</u>	<u>4,603,453</u>	<u>105,204</u>	<u>8,028</u>	<u>4,725,273</u>
At 31 March 2019	<u>8,588</u>	<u>4,603,453</u>	<u>105,204</u>	<u>8,028</u>	<u>4,725,273</u>
Charity					
At 31 March 2018	8,588	4,390,794	105,204	8,028	4,512,614
Income for the year	-	825,464	-	-	825,464
Expenditure for the year	-	(387,527)	-	-	(387,527)
Transfer	-	-	-	-	-
	<u>8,588</u>	<u>4,828,731</u>	<u>105,204</u>	<u>8,028</u>	<u>4,950,551</u>
At 31 March 2019	<u>8,588</u>	<u>4,828,731</u>	<u>105,204</u>	<u>8,028</u>	<u>4,950,551</u>

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.

#### Designated funds

The Leasehold fund represents amounts that are being held specifically to purchase the lease on the A1 Steam Locomotive Tender from William Cook Cast Products.

The Overhaul fund has been transferred from the general fund to finance the costs of the locomotive overhaul which is undertaken every 3 years. The next overhaul is due in 2019.

### 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**

	<b>Group 2019 £</b>	Group 2018 £	<b>Charity 2019 £</b>	Charity 2018 £
<b>Net income for the year</b>	<b>275,522</b>	355,666	<b>432,729</b>	390,385
Interest received	<b>(55)</b>	(11)	<b>(46)</b>	(7)
Depreciation of tangible fixed assets	<b>93,797</b>	92,178	<b>93,219</b>	92,178
Loss/(profit) on sale of fixed assets	-	-	-	-
Decrease/(increase) in debtors	<b>90,300</b>	(124,251)	<b>(506,055)</b>	(305,012)
(Decrease)/increase in creditors	<b>(59,566)</b>	157,889	<b>413</b>	7,972
Decrease/(increase) in stock	<b>2,879</b>	-	-	-
<b>Net cash flow from operating activities</b>	<b><u>402,877</u></b>	<u>481,471</u>	<b><u>20,259</u></b>	<u>185,516</u>