

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

Trustees' report
and
consolidated financial statements

Year ended 31 March 2021

Registered charity number 1022834
Registered company number 2636924

Contents

Report of the trustees for the year (including the strategic report)	1 - 5
Independent Auditor's Report	6 - 8
Consolidated statement of financial activities	9
Consolidated and charity balance sheets	10
Consolidated and charity Statement of Cashflows	11
Notes to the financial statements	12 - 25

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 2021. 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 North East Audit LLP, 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:

Col. S Davies (Appointed 28 July 2020)
M C Allatt
P Bruce
G Bunker
R J Courteney-Harris (Appointed 20 October 2020)
D A Elliott (Resigned 18 November 2020)
G P Langer
B M McDonald (Appointed 23 December 2020)
H J Parker
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" has continued to work extensively on the network with a growing portfolio of operations and a wider portfolio of customers. Plans are now well advanced for a statutory overhaul of the locomotive and an order for a spare boiler has been placed. The Construction of 2007 "Prince of Wales" has moved forward with critical design issues being resolved and key long lead item components being delivered. The project is targeted for completion at the end of 2022.

The impact of Covid 19 restrictions rendered it impossible to operate the A1 class locomotive for pretty much all of the 2020 season. Only two trains and one PR event were possible. Use of Government support schemes, careful management of contracts and grant funding provided some mitigation but costs still outweighed income for TST. "Tornado" has returned to a more normal programme of work across the network in 2021 and despite the reduced operating season has delivered almost a full year of operations. The statutory overhaul of the locomotive will take place in the first half of 2022 before a return to operations.

Work on the P2 locomotive was able to continue but at a reduced pace due to the need to socially distance the workforce. This had a further knock on into fund raising which was lower than expected and use of Government support schemes helped mitigate this impact. In 2021 progress has continued, with the critical final major single contract for the P2 was placed for the cylinder block, with delivery in Spring 2022. The impact on fund raising due to C19 which will cause a slight delay to completion of the new locomotive.

The contract for two new boilers for the locomotives via DB Meiningen in Germany will be fulfilled in 2022.

Initial preparatory work for the launch of the V4 Project are in hand but otherwise no significant expenditure has taken place in this area.

Financial Review

Covid-19 has had a severe impact on the finances of the Trust. In particular the operating company, Tornado Steam Traction was unable to carry out its business, apart from two trains in September 2020. These were both operated at a loss due to the effects of social-distancing rules preventing full seating capacity being achieved. Whilst charitable income from regular donors to A1SLT and P2SLC has held up, the various lockdowns and inability to hold public gatherings has prevented the raising of additional funds, in particular to support the construction of the P2 Prince of Wales and accumulate funds for the major overhaul of Tornado, which was due at the start of 2021. In the event, due to non-operation of the locomotive in 2020, it has been possible to delay this work until the start of 2022 but the donations needed to fund it were still impossible to realise.

Report of the trustees for the year – continued

In order to respond to the effect of the pandemic, 4 of the 5 staff involved in Tornado operations were furloughed for various periods of time between April 2020 and April 2021 in order to reduce employment costs for Tornado Steam Traction. One member of staff remained on full time employment to deal with customers on matters relating to train cancellations and associated refunds and redated bookings. Other staff employed by the Trust and its subsidiaries remained in full time employment. No redundancies have been declared.

Two grants were obtained during the year. The first was a grant from Darlington Borough Council, designed to assist local companies remain viable. The other was from the Heritage Lottery Culture Recovery Fund, the claim on which was mainly to help fund the shortfall in Tornado's major overhaul account. The rest was applied to marketing and training in readiness for recommencement of operations, which in the event did not happen until May 2021.

In order to keep construction of the P2 under way and losing skilled staff, the Trust chose to apply for a loan under the government Bounce Back Loan (BBL) scheme. It received a loan of £50,000 under this scheme in September 2020. As it became apparent that the pandemic was going to continue for much longer than first thought, the trustees decided to apply for a larger loan under another government scheme, the Coronavirus Business Interruption Loan Scheme (CBILS). The Yorkshire Bank were approached and, after undergoing due diligence investigation by the Bank, a loan of £700,000 was granted. A condition of this loan was that any BBL loan was repaid at the same time, so effectively the CBILS loan provided £650,000 in order to continue the construction of the P2. This allowed the placing of contracts for several long lead time items that would otherwise have severely impacted the completion date of the project. The loan was not drawn down until May 2021, so outside the current reporting period.

In the meantime, costs remain under very strict control but are being impacted to some extent by the general increases in costs following resumption of economic activity across the world. Total Group cash at the end of March 2021 was just over £1.7m, of which £721k was in respect of ticket sales for future rail tours and therefore not available for immediate use, and £973k related to restricted funds assigned either to Tornado or the Prince of Wales activities

Plans for future periods

With the easing of Covid 19 restrictions "Tornado" returned to a more normal programme of work across the network in 2021. Work extensively on the network, despite the reduced operating season, has delivered almost a full year of operations. The statutory overhaul of the locomotive will take place in the first half of 2022 and the objective is to complete this by the target end of June to enable operations to recommence at the beginning of July 2022.

The critical final major single contract for 2007 "Prince of Wales" was placed for the cylinder block for delivery in Spring 2022. The new boiler for 2007 is also on schedule for delivery in the first quarter of the 2022/23 financial year. There has been an impact on fund raising due to C19 which will cause a slight delay to completion of the new locomotive.

Initial preparatory work for the launch of the V4 project when 2007 nears final completion are in hand.

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 nine members of the company each of whom has agreed to contribute £1 in the event of the charity being wound up.

Report of the trustees for the year – continued

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.

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 nine 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.

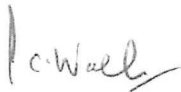
In so far as the trustees are aware:

- 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 North East Audit LLP 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 22/12/2021

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 2021 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 2021, 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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.

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

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.

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.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework applicable to both the company itself and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management. The most significant were identified as FRS102, Charities SORP (FRS 102), Companies Act 2006 and Charities Act 2011.

We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. Our audit procedures included:

- Discussion with key management over any incidences of fraud in the year;
- Review of systems and controls to ensure that these are sufficient to detect fraud and non-compliance with laws and regulations relevant to the entity.
- Assessment of the risk of management override of controls via a review of journal entries made during the year, and particularly the year end, and obtaining further information where necessary;
- Reviewing accounting estimates for reasonableness and consideration of assumptions in those estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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. This description forms part of our auditor's report.

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 North East Audit LLP
Chartered Accountants and
Statutory Auditor

22/12/2021

17 Queens Lane
Newcastle Upon Tyne
NE1 1RN

Consolidated statement of financial activities (including summary income and expenditure account) for the year ended 31 March 2021

	Note	Restricted funds £	Unrestricted funds £	Total 2021 £	Total 2020 £
Income:					
<i>Income from charitable activities:</i>					
Covenants	4	369,310	-	369,310	359,304
Donations and legacies	5	1,144,349	-	1,144,349	768,477
<i>Income from other trading activities:</i>					
Commercial trading operations	6	121,631	-	121,631	880,889
Investment income		174	-	174	338
Total income		1,635,464	-	1,635,464	2,009,008
Expenditure:					
<i>Expenditure on charitable activities:</i>					
Charitable activities	9	627,750	-	627,750	387,266
<i>Costs of raising funds:</i>					
Commercial trading operations	10	250,125	-	250,125	1,014,750
Total expenditure		877,875	-	877,875	1,402,016
Net income/expenditure before transfers		757,589	-	757,589	606,992
Transfers		-	-	-	-
Net movement in funds		757,589	-	757,589	606,992
Reconciliation of funds					
Funds brought forward at 1 April 2020		5,332,263	-	5,332,263	4,725,271
Funds carried forward at 31 March 2021	19	6,089,852	-	6,089,852	5,332,263

The statement of financial activities includes all gains and losses recognised in the year. All funds are restricted 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.

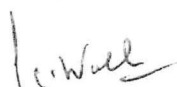
Consolidated and Charity Balance Sheets as at 31 March 2021

	Note	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Fixed assets					
Tangible assets	14	5,137,527	4,788,208	3,111,677	3,155,967
Investments	15	-	-	304	304
		<u>5,137,527</u>	<u>4,788,208</u>	<u>3,111,981</u>	<u>3,156,271</u>
Current assets					
Stock		85,794	85,047	702	702
Debtors	16	94,148	78,967	3,117,219	2,462,407
Cash at bank and in hand		1,691,979	884,082	650,761	187,740
		<u>1,871,921</u>	<u>1,048,096</u>	<u>3,768,682</u>	<u>2,650,849</u>
Creditors: amounts falling due within one year	17	<u>(919,596)</u>	<u>(504,041)</u>	<u>(196,807)</u>	<u>(68,825)</u>
Net current assets		<u>952,325</u>	<u>544,055</u>	<u>3,571,875</u>	<u>2,582,024</u>
Net assets		<u>6,089,852</u>	<u>5,332,263</u>	<u>6,683,856</u>	<u>5,738,295</u>
The funds of the charity					
Restricted funds	19	6,081,264	5,323,675	6,675,268	5,729,707
Revaluation reserve	19	8,588	8,588	8,588	8,588
		<u>6,089,852</u>	<u>5,332,263</u>	<u>6,683,856</u>	<u>5,738,295</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 12 to 25 form part of these accounts.

These financial statements were approved by the board of trustees on 22/12/2021 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 2021

	Note	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Net cash flow from operating activities:					
<i>Net cash provided by/ (used in) operating activities</i>	21	1,210,740	1,002,801	471,969	392,613
Cash flow from investing activities					
Interest received		174	338	177	52
Purchase of fixed assets		(453,017)	(827,461)	(59,125)	(492,266)
Proceeds from sale of fixed assets		-	-	-	-
Repayment of bonds		-	-	-	-
<i>Net cash provided by/ (used in) investing activities</i>		(452,843)	(827,123)	(58,948)	(492,214)
Change in cash and cash equivalents in the reporting period		757,897	175,678	413,021	(99,601)
Cash and cash equivalents at the beginning of the year		884,082	708,404	187,740	287,341
Cash and cash equivalents at the end of the year		<u>1,641,979</u>	<u>884,082</u>	<u>600,761</u>	<u>187,740</u>
Cash and cash equivalents consist of:					
Cash at bank and in hand		1,691,979	884,083	650,761	187,740
Bank loan included in creditors		(50,000)	-	(50,000)	-

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 in October 2019, 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.

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 financial statements have been prepared on a going concern basis. The trustees have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic, the trustees have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the trustees have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

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

Restricted funds are available to spend in activities that further any of the purposes of the charity. Designated funds are restricted 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

	2021 £	2020 £
Incoming resources	1,512,192	1,127,880
Less: Costs of generating funds	(1,473)	(7,153)
Net incoming resources available for charitable application	1,510,719	1,120,727
Charitable expenditure	(441,592)	(198,305)
Net incoming resources before exceptional items	1,069,127	922,422
Provision against loan to Tornado Steam Traction Limited	(123,566)	(134,678)
Net incoming resources after exceptional items	945,561	787,744
Total funds brought forward	5,738,295	4,950,551
Total funds carried forward	6,683,856	5,738,295
Represented by:		
Restricted funds	6,675,268	5,729,707
Revaluation reserve	8,588	8,588
	-	-
	6,683,856	5,738,295

4 Income from charitable activities

	2021 £	2020 £
Covenants	369,310	359,304
	369,310	359,304

Income from covenants is attributable to restricted funds.

5 Income from donations

	2021 £	2020 £
Donations	968,856	628,978
Gift Aid	134,918	100,529
Other Income	40,575	38,970
	1,144,349	768,477

Income from donations is attributable to restricted funds.

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

	2021	2020
	£	£
Sales of tour tickets	89,188	723,363
Hire of locomotive	5,000	126,600
Merchandise sales	27,443	30,926
	<u>121,631</u>	<u>880,889</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 Limited	Tornado Merchandising Limited	The V4 Construction Company Limited	Total 2021	Total 2020
	£	£	£	£	£	£
Turnover	14,819	94,188	12,624	-	121,631	880,889
Cost of sales and administration costs	(154,917)	(271,009)	(8,461)	(513)	(434,900)	(1,192,085)
Other income	-	1,467	-	-	1,467	-
Interest receivable	-	178	3	-	181	338
Net Profit	<u>(140,098)</u>	<u>(175,176)</u>	<u>4,166</u>	<u>(513)</u>	<u>(311,621)</u>	<u>(310,858)</u>

The assets and liabilities of the subsidiaries were:

Fixed assets	2,024,995	855	-	-	2,025,850	1,632,243
Current assets	349,784	816,989	24,047	1,593	1,192,413	840,521
Current liabilities	<u>(2,929,042)</u>	<u>(2,369,271)</u>	<u>(7,750)</u>	<u>(5,897)</u>	<u>(5,311,960)</u>	<u>(4,254,840)</u>
	<u>(554,263)</u>	<u>(1,551,427)</u>	<u>16,297</u>	<u>(4,304)</u>	<u>(2,093,697)</u>	<u>(1,782,076)</u>
Aggregate share capital and reserves	<u>(554,263)</u>	<u>(1,551,427)</u>	<u>16,297</u>	<u>(4,304)</u>	<u>(2,093,697)</u>	<u>(1,782,076)</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.

	2021 £	2020 £
<i>The surplus for the year is stated after charging:</i>		
Auditors remuneration	3,500	3,500
Accountancy and other services	7,021	2,161
Depreciation	<u>103,699</u>	<u>93,576</u>

9 Analysis of expenditure on charitable activities

	2021 £	2020 £
Charitable activities	594,476	354,675
Support costs	<u>33,274</u>	<u>32,591</u>
	<u>627,750</u>	<u>387,266</u>

10 Analysis of expenditure on trading activities

	2021 £	2020 £
Trading activities	<u>250,125</u>	<u>1,014,750</u>
	<u>250,125</u>	<u>1,014,750</u>

11 Support costs

	2021 £	2020 £
Printing, postage, stationery and administration	9,925	15,894
Legal and professional	5,995	2,161
Consultancy fees	6,225	244
Telephone	1,713	766
Interest payable and similar charges	2,635	1,020
Sundry expenses	3,281	9,006
Governance costs	3,500	3,500
	<u>33,274</u>	<u>32,591</u>

Notes to the financial statements (continued)

12 Governance costs

	2021 £	2020 £
Auditor's remuneration	3,500	3,500
	<u>3,500</u>	<u>3,500</u>

13 Analysis of staff costs

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Wages	151,623	61,192	-	-
National Insurance	10,920	10,340	-	-
Pension	3,626	2,141	-	-
	<u>166,169</u>	<u>73,673</u>	<u>-</u>	<u>-</u>
	<u><u>166,169</u></u>	<u><u>73,673</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
	Group 2021	Group 2020	Charity 2021	Charity 2020
Number of staff	7	7	-	-
	<u>7</u>	<u>7</u>	<u>-</u>	<u>-</u>
	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The trustees of the charitable company do not receive any remuneration, with the exception of the following trustees: David Elliott, is remunerated as a contractor through his personal service company, David Elliott Limited, for special projects because of his particular skills, as permitted under the Memorandum and Articles of Association of the Company. During the year, costs of £53,218 (2020 : £39,981) were charged by David Elliott Limited for services provided. At the year end, an amount of £187 (2020 : £3,929) was owed to David Elliott Limited. David Elliott resigned as a trustee on 18 November 2020.

Paul Bruce, is remunerated as a contractor due to his skills as a railway consultant. During the year costs of £22,365 (2020: £nil) were charged.

Notes to the financial statements (continued)

13 Analysis of staff costs (cont.)

Direct expenses incurred by trustees are reimbursed, if claimed. The reimbursement of Trustees expenses, which mainly relate to travelling expenses in respect of performing the above special projects, was as follows:

	Group	Group	Charity	Charity
	2021	2020	2021	2020
	£	£	£	£
David Elliott	284	15,434	230	230
Graeme Bunker-James	2,144	1,826	-	-
Huw Parker	434	-	-	-
Benjamin McDonald	158	-	-	-
Richard Courteney-Harris	439	-	229	-
Paul Bruce	<u>66</u>	<u>-</u>	<u>66</u>	<u>-</u>
Total	<u>3,525</u>	<u>17,260</u>	<u>525</u>	<u>230</u>

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 (2020 – none). The charity trustees were not paid or received any other benefits from employment in the year (2020 – £nil).

The key management personnel of the charity comprise the trustees. The total employee benefits of the key management personnel of the charity are as disclosed above. Remuneration paid to related parties is disclosed in note 19.

Notes to the financial statements (continued)

14 Tangible fixed assets

Group

	A1 Locomotive	P2 Locomotive	Mark 1 Coaches	Assets under construction	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At 31 March 2020	3,016,716	1,631,104	460,561	481,379	99,305	5,689,065
Additions	-	393,891	59,000	-	126	453,017
Disposals	-	-	-	-	-	-
At 31 March 2021	3,016,716	2,024,995	519,561	481,379	99,431	6,142,082
Depreciation						
At 31 March 2020	724,627	-	92,112	-	84,117	900,856
Charge for year	72,502	-	24,995	-	6,202	103,699
Depreciation on disposals	-	-	-	-	-	-
At 31 March 2021	797,129	-	117,107	-	90,319	1,004,555
Net book value						
At 31 March 2021	2,219,587	2,024,995	402,454	481,379	9,112	5,137,527
At 31 March 2020	2,292,089	1,631,104	368,449	481,379	15,188	4,788,208

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 Coaches	Fixtures, fittings, tools and equipment	Assets under construction	Total
	£	£	£	£	£
Cost or valuation					
At 31 March 2020	3,016,716	460,561	93,104	481,379	4,051,760
Additions	-	59,000	125	-	59,125
Disposals	-	-	-	-	-
At 31 March 2021	<u>3,016,716</u>	<u>519,561</u>	<u>93,229</u>	<u>481,379</u>	<u>4,110,885</u>
Depreciation					
At 31 March 2020	724,627	92,112	79,055	-	895,794
Charge for year	<u>72,502</u>	<u>24,995</u>	<u>5,918</u>	<u>-</u>	<u>103,415</u>
At 31 March 2021	<u>797,129</u>	<u>117,107</u>	<u>84,973</u>	<u>-</u>	<u>999,209</u>
Net book value					
At 31 March 2021	<u>2,219,587</u>	<u>402,454</u>	<u>8,256</u>	<u>481,379</u>	<u>3,111,676</u>
At 31 March 2020	<u>2,292,089</u>	<u>368,449</u>	<u>14,049</u>	<u>481,379</u>	<u>3,155,966</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	100	100%
The V4 Steam Locomotive Company Limited	Dormant	05417383	100	99%
21 st Century Steam Limited	Dormant	11330729	1	100%
21 st Century Rolling Stock Limited	Dormant	11331808	1	100%

16 Debtors

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Trade debtors	20,346	12,686	40,988	15,000
Amount due from Tornado Steam Traction Limited	-	-	50,733	50,534
Amount due from Tornado Merchandising Limited	-	-	16,732	14,679
Amount due from The P2 Steam Locomotive Company	-	-	2,951,306	2,376,194
Amount due from The V4 Steam Locomotive Company	-	-	5,884	5,684
Other debtors	22,226	66,281	-	316
Prepayments	51,576	-	51,576	-
	94,148	78,967	3,117,219	2,462,407

17 Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Bank loan	50,000	-	50,000	-
Trade creditors	116,822	100,179	84,761	53,889
Amount due to P2 Steam Locomotive Company	-	-	7,673	5,643
Amount due to P2 Steam Locomotive – Construction Loan	-	-	-	-
Amount due to V4 Construction Company	-	-	2,852	2,827
Other creditors and accruals	5,576	5,250	6,466	6,466
Deferred income	719,720	393,516	-	-
Taxation and social security costs	27,478	5,096	45,053	-
	919,596	504,041	196,805	68,825

Notes to the financial statements (continued)

18 Deferred income

	Deferred income £
Deferred income brought forward	393,516
Amounts released in the year	(89,187)
Amounts charged in the year	415,391
	<u>719,720</u>

19 Restricted funds

	Revaluation Reserve £	A1 No 60163 Tornado £	P2 No 2007 Prince of Wales £	V4 Locomotive £	Total £
Group					
At 31 March 2020	8,588	2,950,891	2,371,784	1,000	5,332,263
Income for the year	-	984,955	650,509	-	1,635,464
Expenditure for the year	-	(737,777)	(140,098)	-	(877,875)
At 31 March 2021	<u>8,588</u>	<u>3,198,069</u>	<u>2,882,195</u>	<u>1,000</u>	<u>6,089,852</u>
Charity					
At 31 March 2020	8,588	2,943,755	2,785,952	-	5,738,295
Income for the year	-	861,683	650,509	-	1,512,192
Expenditure for the year	-	(443,065)	-	-	(443,065)
Intra group loan provision	-	(123,566)	-	-	(123,566)
At 31 March 2021	<u>8,588</u>	<u>3,238,807</u>	<u>3,436,461</u>	<u>-</u>	<u>6,683,856</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.

Notes to the financial statements (continued)

20 Related party transactions

The wife of Graeme Bunker-James, a trustee, is employed by a subsidiary company of the charity. The appointment was made following the post being widely advertised in the steam railway press. During the year, Mrs Bunker-James received a salary of £13,750 (2020 : £13,750) in respect of carrying out a marketing function.

The son-in-law of David Elliott, who was a trustee up until 18 November 2020, provides engineering services to the charity as a contractor through a personal service company, Alan Parkin Engineering Limited. During the year an amount of £26,745 (2020 : £33,744) was paid to Alan Parkin Engineering Limited. At the year end, an amount of nil (2020 : nil) was owed to Alan Parkin Engineering Limited.

Trustees remuneration is disclosed in note 13.

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

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Net income for the year	757,589	606,992	945,559	787,744
Interest received	(174)	(338)	(177)	(52)
Depreciation of tangible fixed assets	103,699	94,054	103,416	93,576
Loss/(profit) on sale of fixed assets	-	-	-	-
Decrease/(increase) in debtors	(15,181)	(1,914)	(604,075)	(541,561)
(Decrease)/increase in creditors	365,555	310,694	27,247	52,906
Decrease/(increase) in stock	(748)	(6,687)	-	-
Net cash flow from operating activities	<u>1,210,740</u>	<u>1,002,801</u>	<u>471,969</u>	<u>392,613</u>