

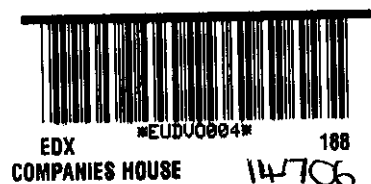
## **VULCAN TO THE SKY TRUST**

(A REGISTERED CHARITABLE COMPANY, LIMITED  
BY GUARANTEE AND WITHOUT A SHARE CAPITAL)

### **CONSOLIDATED REPORT AND ACCOUNTS**

**31 JULY 2005**

**TENON LIMITED  
Amberley Place  
107-111 Peascod Street  
Windsor  
Berkshire**



# **VULCAN TO THE SKY TRUST**

*(A registered Charitable Company)*

## **REPORT AND ACCOUNTS**

**31 JULY 2005**

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# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## LEGAL AND ADMINISTRATIVE INFORMATION

31 JULY 2005

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ADDRESS OF THE COMPANY:	VTST PO Box 3240 Wimborne Dorset BH21 4YP
COMPANY REGISTRATION NUMBER:	04478686
CHARITY REGISTRATION NUMBER:	01101948
REGISTERED OFFICE:	5 Poole Road Bournemouth Dorset BH2 5QL
DIRECTORS: (WHO ARE ALSO TRUSTEES)	Air Chief Marshal Sir Michael Knight KCB AFC FRAeS (Chairman) Mrs Felicity Irwin DL (Campaign Director) Mr Edward Inman OBE Mr Giles Irwin FCA Mr Keith Mans FRAeS Sir Charles Masfield FRAeS (resigned 15 June 2006) Mr Geoffrey Pool Mr John Sharman FRAeS Sir Donald Spiers CB TD FRAeS Mr Ken Smart (appointed 13 January 2006)
COMPANY SECRETARY:	Dr Robert Fleming MBCS CITP
BANKERS:	HSBC Bank Plc 58 High Street Winchester Hampshire SO23 9BZ
AUDITORS:	Tenon Audit Limited Registered Auditor Amberley Place 107-111 Peascod Street Windsor Berkshire
ACCOUNTANTS:	Tenon Limited Amberley Place 107-111 Peascod Street Windsor Berkshire
SOLICITORS:	Laceys Solicitors 5 Poole Road Bournemouth Dorset BH2 5QL

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## TRUSTEES REPORT

31 JULY 2005

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### 1. CONSTITUTION AND OBJECTS OF THE VULCAN TO THE SKY TRUST

Vulcan To The Sky Trust was granted charitable status on 6 February 2004, and is registered with the Charity Commission under number 1101948.

Vulcan To The Sky Trust is constituted as an incorporated company limited by guarantee, its governing document comprising its memorandum and articles of association.

The principal objects of the company are;

(1) To preserve and protect Avro Vulcan G-VLCN (XH558) and return her to full working order for the benefit of the public and to demonstrate and display such aircraft at public events and to conserve her as a heritage asset in perpetuity;

(2) To advance the education of the general public, and specifically engineers and aviators, in the Avro Vulcan, her design, technologies and maintenance process and procedures, for the benefit of British Heritage, historical interest and conservation;

(3) To assist in the conservation in full working order of other heritage aircraft of the 20<sup>th</sup> century.

The company provides these services throughout England and Wales.

### 2. TRUSTEES OF THE COMPANY

The trustees in office during the year were as follows:

Air Chief Marshal Sir Michael Knight KCB AFC FRAeS	(Chairman)
Mrs Felicity Irwin DL	(Campaign Director)
Mr Edward Inman OBE	
Mr Giles Irwin FCA	
Mr Keith Mans FRAeS	
Sir Charles Masfield FRAeS	(Resigned 15 June 2006)
Mr Geoffrey Pool	
Mr John Sharman FRAeS	
Sir Donald Spiers CB TD FRAeS	
Mr Ken Smart	(Appointed 13 January 2006)

### 3. REVIEW OF THE DEVELOPMENT, ACTIVITIES AND ACHIEVEMENTS OF THE COMPANY

#### Organisational Structure

The Vulcan to the Sky Trust (VTST) Board of Trustees met formally on three occasions between 1<sup>st</sup> August 2004 and 31<sup>st</sup> July 2005.

The Board is responsible for policy and overall management of the charity, but has delegated all necessary operating powers and decision-making to the VTST Executive Committee, which is comprised of the Chairman, Felicity Irwin (Campaign Director & Trustee), Giles Irwin (Trustee) Mike Litting (Financial Controller) and Dr Robert Fleming (Project Director and Company Secretary).

The Vulcan Operating Company – the engineering and operations division of the Trust – is led by Dr Robert Fleming, and has its own management team which meets on a weekly basis.

Vulcan to the Sky Enterprises Ltd (VTSE) is the wholly-owned trading subsidiary of VTST, and is managed by Felicity Irwin and Robert Fleming as its directors. VTSE covenants its profits to VTST under the Gift Aid scheme.

In January 2006, Sir Michael Knight, Chairman of Trustees, welcomed Ken Smart CBE to the Board of Trustees and as a Member of the Trust.

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## TRUSTEES REPORT (continued)

31 JULY 2005

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### 3. REVIEW OF THE DEVELOPMENT, ACTIVITIES AND ACHIEVEMENTS OF THE COMPANY (continued)

#### Activities and Achievements of the Company

##### Preservation, Protection and Return to full working order of Avro Vulcan XH558

VTST has taken major strides towards its goal of returning Avro Vulcan XH558 to flight. Delays have been caused by formalities such as legal clarification, extended contract negotiations, and insurance requirements; and these delays have inevitably generated additional costs.

The Heritage Lottery Fund's (HLF's) contract for the grant of £2,734,000 was presented to VTST in September 2004, and, following lengthy legal discussion and clarification, was finally signed by Sir Michael Knight in December 2004, and countersigned by the HLF in early February. The formal date of the commencement of the HLF-funded project was 23<sup>rd</sup> February 2005.

Whilst the contract for the purchase of Avro Vulcan XH558 and related assets from C. Walton Ltd was relatively simple, the conditions under which the hangar, office and storage facilities were to be rented from C. Walton Ltd. required significant concessions on both sides before agreement was reached. Contracts were finally signed on 28<sup>th</sup> February 2005, and Avro Vulcan XH558 finally passed into the ownership of the Trust on 3<sup>rd</sup> March 2005 for the benefit of the Nation.

Protracted negotiations between VTST, Marshall of Cambridge Aerospace (MA), several of its subcontractors and the respective insurers meant that the main Prime Contract for the restoration activity was eventually signed on the 28<sup>th</sup> April 2005.

Pending this event, preparation of the facilities at Bruntingthorpe Aerodrome had been under way for some weeks. By late April 2005, the Vulcan Operating Company had recruited a management team reporting to Robert Fleming as Project Director; recruitment of the remainder of the engineering and logistics staff occurred over May and June.

The preparation of the hangar at Bruntingthorpe culminated in a successful audit by the Civil Aviation Authority (CAA) in the middle of July 2005. Following this, a letter from the CAA's surveyor to MA's Quality Manager was very complimentary; and, subject to some additional controls in the tool store and a couple of minor amendments to the exposition, the audit was deemed satisfactory. The necessary formal CAA regulatory "A8-20" design and maintenance approvals have since been granted to MA.

A draft Operational Requirement has been created by MA on the basis of input from our aircrew, and from our operating profile for the aircraft. Detailed analysis has concluded that some 47 systems are not required in our operation of XH558 under civilian regulations, ranging from the Navigation and Bombing System to the Ration Heaters. One major decision taken was to replace the aircraft's ageing Military Flight System (MFS) with modern equipment. The cost of overhauling the MFS, and maintaining it over the operating life of the aircraft proved prohibitive.

The deletion of some systems required safety assessment by the Marshall Aerospace Design Office, needing thorough design analysis to ensure that no reduction in safety would occur as the result. (As a policy, nothing will be done to prevent these non-functional systems being reinstalled once the aircraft has finally been grounded, to return XH558 to its original configuration.)

The Major Service on-aircraft work started in the middle of August 2005, with the commencement of the aircraft inspection by MA certifying technicians, supported by our own VOC team. The main effort is now focused on airframe structural rectification and enhanced electrical inspection and rectification.

A major milestone was passed with the completion of the primary non-destructive testing procedures, involving x-radiography and eddy current tests, with virtually a clean bill-of-health for the aircraft. Over 450 X-ray pictures have been taken of various parts of the structure, with only three minor, repairable, cracks found.

Preparation for the main fatigue life extension modification on the rear spar, "Mod 2222", has nearly been completed. This involves removing the main bolts that secure the bottom of the wing spar to the centre section of the aircraft. Coventry University is kindly helping the VOC with the supply of very accurate laser-based measuring equipment to ensure that the wing is correctly positioned for this modification.

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## TRUSTEES REPORT (continued)

31 JULY 2005

Page 4

### 3. REVIEW OF THE DEVELOPMENT, ACTIVITIES AND ACHIEVEMENTS OF THE COMPANY (continued)

Planning for the testing and operation of the aircraft is under way. Following submission of our description of the way we are going to operate the aircraft to the CAA, a very helpful review was held at the CAA's headquarters at Gatwick, and the feedback from that meeting is being integrated into our plans.

The Logistics team has grown to include Document Control Centre, Technical Librarian, Production-chasing and OEM liaison roles. The team has been trained in the MA control system for materials and production. Six terminals with direct access to the host at Cambridge have been installed in the hangar.

Support and enthusiasm for Vulcan to the Sky remains high amongst those companies needed formally to support the restoration and flying programme. Principal among these are prime contractor Marshall of Cambridge Aerospace, design authority BAE SYSTEMS, Messier-Dowty, Rolls-Royce and Smiths Aerospace, but there are many others. Approximately 150 representatives from most of our key OEMs and suppliers attended an Open Day at Bruntingthorpe on July 8<sup>th</sup> 2005, where they were addressed by the Trust's Chairman, Mr Martin Broadhurst (MD of MA) and the Project Director.

Overhaul of aircraft components and sub-systems at OEMs and servicing partners around the country commenced in late 2005; major systems and components are currently being returned to Bruntingthorpe.

The CAA's surveyors continue to visit on a regular basis; they have provided much useful advice and encouragement.

The Trust is very grateful for the support of volunteers from the Vulcan to the Sky Club, who are performing important roles in support of the formal engineering and logistics activities.

The 'Vulcan to the Sky' project is therefore moving forward with vigour, with the continued strong support of the Heritage Lottery Fund and of Marshall Aerospace. Roll-out of XH558 is currently scheduled for August 2006.

#### Heritage Lottery Fund status

To date, a total of £2,023,600 has been paid by the HLF to the Trust. The monthly HLF Project Monitor reviews are helpful and positive, focused, as they are, on project progress, and on the achievement of matched "partnership" funding targets.

At the end of April 2006, the Trust completed the Charge over the aircraft and related assets by the National Heritage Memorial Fund, as required by our contract with them.

#### Education of the general public in the Avro Vulcan and related topics

The Educational programme plan based around the Cold War period of British History has been prepared. It outlines the intentions for the project and the consultation and activities to date. It will undoubtedly change in some aspects following experience and further consultation but it has been prepared with a realistic expectation for delivery.

In November 2004, the Trust was in receipt of the entire *Secret State* exhibition, on permanent loan from the National Archive at Kew. This will be of great value in telling the Vulcan's story.

An educational booklet, "Vulcan – a time in history", has been produced, summarizing the milestones in the life of the Avro Vulcan in the context of UK and global events.

A meeting was held on the 22<sup>nd</sup> July 2005, when a group of people were brought together for a meeting of prospective members of the VTS Education Advisory Board (EAB). This was most stimulating and effective, with the result that all members present agreed to serve on the EAB.

The meeting agreed the aims and objectives of the EAB, and an action plan for the future. The composition of the Board is broad, experienced and influential. It has already provided constructive support in a presentation to the DfES.

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## TRUSTEES REPORT (continued)

31 JULY 2005

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### 3. REVIEW OF THE DEVELOPMENT, ACTIVITIES AND ACHIEVEMENTS OF THE COMPANY (continued)

#### Fund-raising and public relations

The profile of the project has been maintained, thanks to Felicity Irwin's stirring efforts: press articles, radio and TV items, and an increasing presence across the UK airshow scene have stimulated a growing knowledge of Vulcan to the Sky in the minds of the public and industry alike.

The project has exceeded its original target in fundraising terms. A magnificent £1.8M has been raised through donation and £400,000 of 'gifts in kind' from Equipment Manufacturers supporting the project, to which the £2,734,000 grant from the Heritage Lottery Fund must be added.

The Pick-a-Piece (PAP) initiative has been very well supported, raising over £100,000. Two raffles have been held, raising £35,000 for a Jaguar car, and £56,000 for a flight in a Lightning aircraft in South Africa.

The business plan included a sum of £500,000 from sponsorship, following advice from independent sponsorship consultants. Unfortunately the Trust has failed to secure this, and in addition has suffered an increase in costs due to the time lag from HLF grant to contract start and a recent cost uplift from the Trust's prime contractor.

Given this situation, the agreement of the Trustees, the HLF and Marshall Aerospace has been required to continue forward progress.

The Trust's most pressing current challenge remains achieving the required level of funding. The current position, as at 31st May 2006, is that £1million needs to be raised to get XH558 to flight.

Because of the support from the Trustees, the HLF and Marshall Aerospace, there remains a three month window of opportunity to raise £250,000 to reach 'roll out' in August and to raise the profile yet further.

This campaign will be called 'Reaching for Roll Out', to provide funding to get to 'roll out' and attract the ever-elusive sponsor, putting the project on course for a first test flight and leading up to its public appearance over London at the head of a planned fly-past to commemorate the 25<sup>th</sup> anniversary of the South Atlantic conflict on 17 June 2007.

Once this has been achieved a further £500,000 will be required over the period to the end of 2006 and a further £250,000 for first test flight in 2007.

The Trust now needs to go full steam for 'Roll Out', and is doing everything possible to secure a sponsor or philanthropist to enjoy all the benefits that major sponsorship will bring.

The exposure globally and in the UK to such a sponsor is extraordinary, with 3 – 4million people attending air shows, media coverage of first flight and the Falklands display commemoration. XH558 is an exceptional flying billboard.

As regards other initiatives, the V:V:A:S (Vulcan Visitors Admission Scheme) initiative was launched and the first Visitors arrived on August 5<sup>th</sup> 2005. The display of Cold War information from the National Archive's Secret State exhibition archive has been well received.

In other activities, Primetime Video has been filming the Restoration project, and the first of three DVDs will be available for sale soon.

The Website continues to be updated and is used to pass news and pictorial evidence of the progress, and for the "e-donate" funding stream. It continues to be well received.

VTSE has embarked on a broader merchandising scheme and has an 'online' shop which should be most beneficial both now and in the future.

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## TRUSTEES REPORT (continued)

31 JULY 2005

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### 3. REVIEW OF THE DEVELOPMENT, ACTIVITIES AND ACHIEVEMENTS OF THE COMPANY (continued)

#### Summary

The Trustees of VTST look forward with keen anticipation to the coming months in which they hope to see substantial further progress in returning Vulcan XH558 (now G-VLCN) to flight and in providing the public educational benefits which have been agreed with the HLF.

All now depends on the raising of the significant sums still remaining to complete the aircraft restoration phase of the project and to take it on from that point to its planned 10 – 15 year period on the air display circuit. The Trustees are in no doubt as to the extent of the challenge faced by the Trust in securing the necessary funding – and, in deed, in doing so in a much-contracted time frame. That said, the project has already overcome difficulties which might well have caused a less dedicated team of individuals to abandon it. If commitment counts for anything, then the Vulcan will again grace the UK skies.

### 4. REVIEW OF TRANSACTIONS AND FINANCIAL POSITION OF THE COMPANY

Incoming resources totalled £1,108,063 (2004: £446,465). Total resources expended amounted to £855,804 (2004: £200,158) resulting in a net surplus in funds for the year ended 31 July 2005 of £252,259 (2004: £246,307). At the date of signing these financial statements, a further circa £1m is required to complete the restoration. The Trustees recognise that there is no certainty that these additional monies will become available.

### 5. RESERVES POLICY

The Trustees currently aim to have sufficient reserves to complete the renovation and rebuilding of the aircraft and then to maintain her airworthiness.

### 6. RISK MANAGEMENT

The Trustees have assessed the major risks to which the company is exposed, in particular those related to the operations and finances of the company. The Trustees are satisfied that systems are in place to mitigate or lessen exposure to the major risks faced by the company.

### 7. STATEMENT OF TRUSTEES RESPONSIBILITIES

The Trustees are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Vulcan To The Sky Trust and of its financial activities for that period. In preparing those accounts the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in operation.

The Trustees are responsible for keeping accounting records which disclose and ascertain with reasonable accuracy the financial position of the company and ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## TRUSTEES REPORT (continued)

31 JULY 2005

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### 8. AUDITORS

Tenon Audit Limited have expressed their willingness to continue as auditors of the company. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Tenon Audit Limited be re-appointed as auditors of the company will be put to the Annual General Meeting.

Signed on behalf of the Trustees

.....*Michael Knight*.....

Air Chief Marshal Sir Michael Knight KCB AFC FRAeS  
Chairman

Approved by the Board of Trustees on 7/07/06

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# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

31 JULY 2005

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We have audited the accounts on pages 10 to 19, which have been prepared under the historical cost convention and the accounting policies set out on page 12.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The Trustees' responsibilities for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities on page 6.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the accounts, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the company is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the company's risk management and control procedures.

We read other information contained in the Trustees' Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

### BASIS OF OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the company and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Going Concern

As explained in Note 2, the financial statements have been prepared on a going concern basis, the validity of which depends upon procuring the required level of future funding. The financial statements do not include any adjustments that would result from the absence of this required level of support. We have not obtained sufficient appropriate evidence that this additional funding will be forthcoming.

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS (continued)

31 JULY 2005

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### Opinion: disclaimer on view given by the financial statements

Because of the possible effects of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 July 2005 or of its incoming resources and application of resources in the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the going concern basis we have not obtained all the information and explanations that we consider necessary for the purpose of our audit.

  
.....  
**TENON AUDIT LIMITED**

**Registered Auditor**

**Amberley Place**

**107-111 Peascod Street**

**Windsor**

**Berkshire SL4 1TE**

**Date:**

 2006

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 JULY 2005

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	<u>Note</u>	<u>2005 Total Funds</u>	<u>2004 Total Funds</u>
		<u>£</u>	<u>£</u>
<b>Incoming resources</b>			
Donations, legacies and similar income	4	1,102,473	445,376
Investment income	4	<u>5,590</u>	<u>1,089</u>
<b>Total incoming resources</b>		<u>1,108,063</u>	<u>446,465</u>
<b>Resources expended</b>			
Cost of generating funds:			
- Fundraising costs	6a	153,480	100,767
Costs of activities in furtherance of the company's objects:	6b		
- Restoration and maintenance costs		630,039	62,284
- Exhibition and display costs		7,716	1,250
- Support costs		33,688	23,257
Other expenditure:			
Management and administration of the company	6c	<u>30,881</u>	<u>12,600</u>
<b>Total resources expended</b>		<u>855,804</u>	<u>200,158</u>
<b>Net incoming/(outgoing) resources for the year and net movement in fund</b>		252,259	246,307
<b>Fund balances brought forward at 1 August 2004</b>		<u>201,824</u>	<u>(44,483)</u>
<b>Fund balances carried forward at 31 July 2005</b>		<u>454,083</u>	<u>201,824</u>

The consolidated statement of financial activities has been prepared on the basis that all operations are continuing operations.

There are no recognised gains or losses other than those passing through the statement of financial activities.

The notes on pages 12 to 19 form part of these accounts.

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## BALANCE SHEETS

AS AT 31 JULY 2005

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	Note	Group 2005 £	Charity 2005 £	Group 2004 £	Charity 2004 £
<b>Fixed Assets</b>					
Intangible fixed assets	8	-	-	-	-
Tangible fixed assets	9	135,865	135,683	2,602	2,359
Investments	10	-	251	-	1
		135,865	135,934	2,602	2,360
<b>Current Assets</b>					
Stocks		377	-	264	-
Debtors	11	247,881	248,598	73,810	73,809
Cash at bank and in hand		138,768	132,123	203,415	202,049
		387,026	380,721	277,489	275,858
<b>Creditors: amounts falling due within one year</b>	12	(68,808)	(62,324)	(78,267)	(76,394)
<b>Net Current Assets</b>		318,218	318,397	199,222	199,464
<b>Net Assets</b>		454,083	454,331	201,824	201,824
<b>Funds</b>					
Restricted funds	14	-	-	-	-
Unrestricted funds		454,083	454,331	201,824	201,824
		454,083	454,331	201,824	201,824

Approved by the Board of Trustees on 7/07/06

and signed on its behalf by



Air Chief Marshal Sir Michael Knight KCB AFC FRAeS  
Chairman

  
Mrs Felicity Irwin DL  
Campaign Director

The notes on pages 12 to 19 form part of these accounts.

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2005

Page 12

### 1. Accounting policies

#### 1.1 Basis of accounting

The consolidated accounts are prepared under the historical cost convention and include the results of the company and trading subsidiary's operations as set out in the report of the trustees.

The company has taken advantage of the exemptions in Financial reporting Standard No. 1 'Cashflow statements' from the requirement to produce a cash flow statement on the grounds that it is a small group.

The accounts have been drawn up in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000) and applicable accounting standards, in view of the company's charitable status. The company has also modified the Companies Act formats to more fairly reflect the charitable operation of the company, as allowed by the Companies Act.

#### Consolidated accounts

Previously Vulcan To The Sky Enterprises Limited was included in the consolidated as a quasi-subsiidiary of Vulcan To The Sky Trust. However, during the year the shares were transferred to Vulcan To The Sky Trust, and as a result has been included as a subsidiary. Also included in the consolidated accounts is information about The Vulcan Operating Company Limited, a company in which Vulcan To The Sky Trust owns the share. This company was dormant during the year. A separate statement of financial activities is not presented because the Charity has taken advantage of the exemption available under Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000) not to do so.

#### 1.2 Income

Income is recognised on the following basis;

Donation income is recognised along with any applicable gift aid on a receivable basis

Gifts in kind for subsequent application are recognised when received and valued at market value at the point of donation.

#### 1.3 Expenditure

Expenditure includes all material costs received after the period end but relevant to the period ended 31 July 2005.

#### 1.4 Allocation of costs

Costs are allocated according to function and hence into appropriate categories. Where expenditure relates to more than one functional category a reasonable method of allocation is determined.

#### 1.5 Funds

##### Unrestricted Funds

Unrestricted funds are expendable at the discretion of the trustees in furtherance of the objects of the company.

##### Restricted Funds

Restricted funds are funds that can only be used for particular restricted purposes within the objects of the company. Restrictions arise when specified by the donor or when funds raised are for a particular restricted purpose.

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	25%	Straight Line
Fixtures and fittings	20%	Straight Line

# VULCAN TO THE SKY TRUST

(A registered Charitable Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JULY 2005

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### 1.7 Investments

Investments are stated at cost.

### 1.8 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exception. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

### 2. Basis of preparation

Vulcan To The Sky Trust is dependent upon future sponsorship and donations to achieve sufficient funding to complete the restoration project of the Avro Vulcan G-VLCN (XH558).

Sufficient donations and funding from the Heritage Lottery Fund has enabled the work to continue from the 1 August 2005 to date. However as of the date of signing these financial statements, a further circa £1m is required to complete the restoration. The Trustees recognise that there is no certainty that these additional monies will become available in the time frame required but due to the uncertainty involved, are not able to quantify what additional costs may be incurred in this eventuality, hence no additional provisions for this event are included in these accounts.

### 3. Parent company

The parent company achieved incoming resources totalling £1,086,613

### 4. Incoming resources

Income comprises amounts receivable from the following sources.

	<b>2005</b>	<b>2004</b>
	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Donations, legacies &amp; similar incoming resources</b>		
- Donations received	346,230	439,776
- Heritage lottery fund	537,503	-
- Gifts in kind	-	5,600
- Support in kind	<u>218,740</u>	<u>-</u>
	1,102,473	445,376
<b>Investment income</b>		
Bank interest received	<u>5,590</u>	<u>1,089</u>
	<u><b>1,108,063</b></u>	<u><b>446,465</b></u>

### 5. Net Income from the Trading Activities of Subsidiary

The Charity controls 100% of the ordinary share capital, consisting of 1 ordinary share of £1 each, of Vulcan to the Sky Enterprises Limited which sells goods to support Vulcan to the Sky Trust. As a result it has been treated as a subsidiary and fully consolidated within these accounts. The subsidiary donates its taxable profits to the Charity by gift aid. Its trading results for the period, as extracted from the audited financial statements are summarised below:

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### 5. Net Income from the Trading Activities of Subsidiary (continued)

	2005 <u>Total</u> £	2004 <u>Total</u> £
Turnover	13,853	11,329
Cost of sales	<u>(3,035)</u>	<u>(7,209)</u>
	10,818	4,120
Administration expenses	(12,947)	(4,448)
Other operating income	<u>9,467</u>	<u>3,100</u>
	7,338	2,772
Operating profit/(loss)	7,338	2,772
Gift aided to the Charity	<u>(7,338)</u>	<u>2,772</u>
Profit/(loss) on ordinary activities before tax	-	-
Tax on profit on ordinary activities	-	-
Retained profit/(loss) in the subsidiary	<u>-</u>	<u>-</u>

### 6. Expended Resources

#### a) Cost of generating funds

	2005 <u>Total</u> £	2004 <u>Total</u> £
Purchase of merchandise	4,960	1,028
Air show event costs	3,153	6,181
Wages and salaries	27,510	10,180
Raffle costs	21,273	14,972
Consultancy costs	9,852	7,850
Printing, postage and stationery	31,524	16,030
Advertising and promotion	45,721	35,635
Computer costs	2,468	658
Travel expenses	2,408	7,104
Telephone	1,922	879
Depreciation	1,610	250
Credit charges	<u>1,079</u>	<u>-</u>
	<u>153,480</u>	<u>100,767</u>



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### 6. Expended Resources (continued)

#### b) Costs in furtherance of the charities objects

	<u>Restoration &amp; maintenance</u>	<u>Exhibition &amp; display</u>	<u>Support costs</u>	<u>2005 Total</u>	<u>2004 Total</u>
	£	£	£	£	£
Aircraft costs	145,304	-	-	145,304	-
Hangar costs	99,792	-	-	99,792	-
Wages and salaries	268,795	2,158	5,231	276,184	5,715
Consultancy costs	109,067	-	9,483	118,550	56,534
Printing, postage and stationery	-	-	1,739	1,739	844
Travel	6,500	-	-	6,500	-
Professional fees	-	5,558	1,994	7,552	13,600
Educational support	-	-	-	-	1,250
Sundry	581	-	2,180	2,761	6,257
Telephone, internet and fax	-	-	1,826	1,826	991
Insurance	-	-	7,163	7,163	744
Depreciation	-	-	1,464	1,464	231
Accounting system	-	-	2,137	2,137	-
Bank charges	-	-	471	471	626
Totals	<u>630,039</u>	<u>7,716</u>	<u>33,688</u>	<u>671,443</u>	<u>86,791</u>

#### c) Management and Administration costs

	<u>2005 Total</u>	<u>2004 Total</u>
	£	£
Insurance	1,881	-
Audit and accounting	11,893	7,437
Legal and professional	16,621	4,457
Meeting costs	238	706
Amortisation of goodwill	248	-
Totals	<u>30,881</u>	<u>12,600</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JULY 2005

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### 7. Staff costs

Charity	2005 <u>Total</u> £	2004 <u>Total</u> £
Wages and salaries	77,878	14,438
Social security	7,076	831
Support in kind	<u>218,740</u>	<u>-</u>
	<u>303,694</u>	<u>15,269</u>

The average number of staff employed by the company during the year ended 31 July 2005 was 4 (2004: 3). No employee earned over £50,000 during the period.

Included in wages and salaries for the year ended 31 July 2005 is an amount totalling £10,000 (2004: £1,530) paid to related parties. Refer to note 16 for further details.

F Irwin, a trustee of the company, received reimbursement of expenses incurred whilst on charity business totalling £nil during the year ended 31 July 2005 (2004: £583).

### 8. Intangible fixed assets: goodwill

Cost	Goodwill £
Additions	<u>248</u>
At 31 July 2005	<u>248</u>
<b>Amortisation</b>	
Amortisation for the year	<u>248</u>
At 31 July 2005	<u>248</u>
<b>Net book value</b>	<u><u>-</u></u>

The positive goodwill has arisen as a result of the purchase of 100% of the shares of The Vulcan Operating Company Limited. This company is dormant and as a result the Trustees have decided to write off the goodwill arising on the consolidation.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JULY 2005

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9. <u>Tangible fixed assets</u> (for own use)	Group 2005	Group 2005	Charity 2005	Charity 2005
	Aircraft £	Fixtures, fittings & equipment £	Aircraft £	Fixtures, fittings & equipment £
<b>Cost</b>				
As at 1 August 2004	-	3,083	-	2,779
Additions	<u>124,750</u>	<u>11,587</u>	<u>124,750</u>	<u>11,587</u>
As at 31 July 2005	<u>124,750</u>	<u>14,670</u>	<u>124,750</u>	<u>14,366</u>
<b>Depreciation</b>				
As at 1 August 2004	-	481	-	420
Charge for the year	<u>-</u>	<u>3,074</u>	<u>-</u>	<u>3,013</u>
As at 31 July 2005	<u>-</u>	<u>3,555</u>	<u>-</u>	<u>3,433</u>
<b>Net book value</b>				
As at 31 July 2005	<u>124,750</u>	<u>11,115</u>	<u>124,750</u>	<u>10,933</u>
As at 31 July 2004	<u>-</u>	<u>2,602</u>	<u>-</u>	<u>2,359</u>
<b>10. <u>Investments</u></b>				
				<b>Total £</b>
<b>Charity</b>				
<i>Shares in Trading Subsidiary</i>				
1 Ordinary share of £1 (nominal value)				<u>1</u>
<i>Shares in Dormant Subsidiary</i>				
2 Ordinary shares of £1 (nominal value)				<u>2</u>
				<b>Shares in group Undertaking £</b>
<b>Cost</b>				
At 1 August 2004				1
Addition				<u>250</u>
At 31 July 2005				<u>251</u>

On 28 February 2006, Vulcan To The Sky Trust acquired the entire share capital of The Vulcan Operating Company Limited for £250.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JULY 2005

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### 10. Investments (continued)

#### Holdings of more than 20%

The company controls more than 20% of the share capital of the following companies:

#### Company

Subsidiary undertakings	Country of incorporation	Class	Shares held
Vulcan to the Sky Enterprises Limited	England	Ordinary	100%
The Vulcan Operating Company Limited	England	Ordinary	100%

The aggregate amount of capital and reserves and result of this undertaking for the last relevant financial year was as follows:

	Capital and Reserves 2005 £	Profit for the year 2005 £
Vulcan to the Sky Enterprises	<u>1</u>	<u>-</u>
The Vulcan Operating Company Limited	<u>2</u>	<u>-</u>

Shares in the subsidiary undertakings are stated at cost.

	Group 2005	Charity 2005 £	Group 2004 £	Charity 2004 £
<b>11. <u>Debtors</u></b>				
Trade debtors	41,748	41,748	-	-
Other debtors	13,561	13,561	71,929	71,928
VAT recoverable	2,259	-	-	-
Prepayments	190,313	190,313	1,881	1,881
Amounts due from subsidiary undertaking	<u>-</u>	<u>2,976</u>	<u>-</u>	<u>-</u>
	<u>247,881</u>	<u>248,598</u>	<u>73,810</u>	<u>73,809</u>
<b>12. <u>Creditors: amounts falling due within one year</u></b>				
	Group 2005	Charity 2005 £	Group 2004 £	Charity 2004 £
Bank loans and overdrafts	3,949	3,949	-	-
Trade creditors	41,745	37,206	2,244	1,277
Accruals	12,126	10,181	12,114	12,114
Amounts due to subsidiary undertakings	-	-	-	2,606
Other creditors	-	-	63,909	60,397
Other taxation and social securities	<u>10,988</u>	<u>10,988</u>	<u>-</u>	<u>-</u>
	<u>68,808</u>	<u>62,324</u>	<u>78,267</u>	<u>76,394</u>

### 13. Capital and reserves

Vulcan To the Sky Trust is a company limited by guarantee without a share capital. Instead of a share capital, each member guarantees to pay an amount not exceeding £10 in the event of the company's liquidation. The amount of the members' guarantee represents a contingent asset of the company, which will crystallise only if the company goes into liquidation. As the company is a going concern, the members have no obligation to pay the sum guaranteed.

In the circumstances noted above it is considered that the distinction between equity and non-equity interests required by Financial Reporting Standard No. 4 'Capital Instruments' is not applicable.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2005

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### 14. Other reserves

#### Restricted funds

A restricted fund is created when a donor sets conditions on what the amount donated can be used for. None of the donations in the year ended 31 July 2005 (2004: £nil) had any such restrictions imposed and so all donations have been treated as unrestricted funds, expendable at the discretion of the trustees in furtherance of the company's objects.

### 15. Reconciliation of movements in funds

	<u>2005</u> £	<u>2004</u> £
Net movement in funds per Consolidated Statement of Financial Activities	252,259	246,307
Opening funds at 1 August 2004	<u>201,824</u>	<u>(44,483)</u>
Closing funds at 31 July 2005	<u>454,083</u>	<u>201,824</u>

### 16. Related party transactions

Vulcan To The Sky Trust occupied a room and used services such as water and electricity provided by G Irwin and F Irwin (both trustees of the company) free of charge during the year ended 31 July 2005.

R Fleming, a director of Vulcan To The Sky Enterprises Limited, which is 100% owned by Vulcan To The Sky Trust, is also a director of RW Fleming Consulting Limited. During the year ended 31 July 2005, Vulcan To The Sky Trust paid RW Fleming Consulting Limited an amount of £82,933 including expenses (2004: £48,684) for consultancy services.

In accordance with the provisions made in the Vulcan To The Sky Memorandum of Association, C Irwin, the daughter of G Irwin and F Irwin (both trustees of the company), is employed by the company and during the year ended 31 July 2005 received £10,000 (2004: £1,530) in remuneration.

G Pool, a director of the company, is chairman of the Vulcan To The Sky Club (formerly the Vulcan 558 Club). During the year the club donated income to Vulcan To The Sky Trust of £20,614 (2004: £39,275).

### 17. Commitments under operating leases

At 31 July 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	<u>2005</u> £	<u>2004</u> £
Operating leases on Aircraft Hangar which expire within two to five years	<u>180,000</u>	-
	<u>180,000</u>	-