

Charity Registration No. 01101948

Company Registration No. 04478686 (England and Wales)

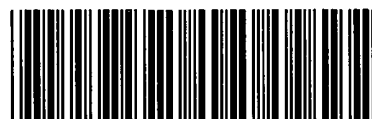
# REGISTRAR

## VULCAN TO THE SKY TRUST

### ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 OCTOBER 2017

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# **VULCAN TO THE SKY TRUST**

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# VULCAN TO THE SKY TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 OCTOBER 2017

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#### 1. OBJECTIVES AND ACTIVITIES OF THE TRUST

The principal objects of the Vulcan to the Sky Trust ("VTST", "the Trust") are to:

- (1) Preserve and protect Avro Vulcan XH558 and return her to full working order for the benefit of the public and to demonstrate and display her to the public and to conserve and return to full working order other aircraft and engineering artefacts in general which are of significant heritage interest and to maintain such in a purpose-built facility.
- (2) Advance the education of the general public in Avro Vulcan XH558, in aviation and engineering heritage, in its associated provenance, historical and social context and in the strategy of deterrence, for the benefit of British heritage, and historical knowledge.
- (3) Advance the education of the general public in Avro Vulcan XH558 and other aircraft and engineering artefacts in general of significant heritage interest, in their design, engineering and technologies, operational and maintenance processes and procedures; for the benefit of British heritage, and technical knowledge and conservation, by providing access to engineering demonstrations and practical activities.

The Company provides these services throughout Great Britain.

#### Ensuring that VTST delivers on its objects

The Trust reviews its objectives and activities regularly throughout the year, looking at the success of its activities and the benefits that the Trust has brought to the public. The Trustees refer to the advice contained in the Charity Commission's general guidance on public benefit when deciding on its plans and activities. The particular public benefits generated from our work are detailed on pages 3 – 4.

Following a ten-year restoration project, Avro Vulcan XH558 ("XH558") returned to flight on 18<sup>th</sup> October 2007, having previously been grounded on 23<sup>rd</sup> March 1993 at the end of its RAF career. The Trust was granted approval by the Civil Aviation Authority ("CAA") to operate Vulcan XH558 under UK Civil Regulations on 2<sup>nd</sup> July 2008. The aircraft was granted a CAA Permit to Fly on 3<sup>rd</sup> July 2008, a condition of which was the continuing contractual support from the aircraft's Engineering Authority, Marshall Aerospace. This was a first for a *Complex* category ex-military aircraft on the UK Civil Register, and marked the successful completion of the world's most complex aircraft restoration project.

Subsequently, Vulcan XH558 was presented by the Trust to the public at air shows and events around the UK in each year following, supported by educational and interpretational activities.

In January 2015, the Trust received notice from Marshall Aerospace, BAE Systems and Rolls-Royce that at the end of 2015, they would collectively be withdrawing the Engineering and Design Authority support required as a condition of the aircraft's Permit to Fly, thereby consequently bringing to the end the flying life of Vulcan XH558. The aircraft's final flight took place on Wednesday 28<sup>th</sup> October 2015 at Doncaster Sheffield Airport.

Grounded since that date, nevertheless Vulcan XH558 has been maintained in a safe ground-running and taxiing condition, and continues to attract much enthusiastic support from the public. The Trust is planning to offer excellent public access to the aircraft as both a static exhibit in a New Hangar and also in engine-running and taxiing demonstrations.

In addition, the Trust continues to plan for its strategic direction following the aircraft's end of flying. In accordance with its objects, the Trust plans to broaden its scope and interests by the acquisition of other aircraft and aviation-related heritage assets. In furtherance of this, in May 2016 the Trust acquired an important English Electric Canberra aircraft, and in November 2016, the Trust was loaned a static example of the Supermarine Swift to display alongside the two other aircraft.

# **VULCAN TO THE SKY TRUST**

## **TRUSTEES' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 OCTOBER 2017**

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The Trust's activities include charitable fundraising in many different ways to ensure that sufficient funds are available to allow the continuation of the Trust's public benefit delivery.

At the beginning of 2016, VTST took over the lease for Hangar 3 at Doncaster Sheffield Airport ("DSA") on a rolling one-year basis and intended to extend the lease at the end of 2016.

VTST had established its aircraft engineering facility in the hangar, including tool store, technical records & air publications library and IT communications.

From the beginning of the period, the public were able to come to the hangar to see XH558 on a pre-booked basis, receive educational guided tours of the aircraft, hear talks about the Vulcan and its history, and buy merchandise from an in-hangar shop. Much publicity was gained by offering the large space in the hangar for both private and corporate events "under the wings" of the Vulcan.

However, in August 2016, the Trust was informed that DSA was in need of additional cargo handling space for increased activity, and that as a result, the Trust would need to move its operations from Hangar 3 to Hangar 1.

On surveying Hangar 1, it was clear that work would be needed to convert the space into an acceptable condition for general public access to the hangar for tours and events, for example the provision of toilets and disabled access. In November 2016 it became clear that DSA would not invest in Hangar 1, and in early December 2016, the Trust was informed that, because of the secure nature of other activities in this hangar, the public would not be allowed access at all.

This effectively stopped the major revenue-earning activities of the Trust, and severely curtailed its main public benefit delivery activities.

Hangar 1 was then offered to the Trust for the storage only of its assets, but at a peppercorn rent, until 31<sup>st</sup> July 2017. In addition, DSA has offered the Trust a lease on a site upon which to build a new hangar specifically designed for its tour, event and engineering activities. Plans were drawn up with significant help from local companies, Doncaster Municipal Borough Council and the Airport. In December 2017, the Trust received full planning approval for the new hangar from the council.

A comprehensive business plan for the New Hangar has been developed using the experience gained from the Trust's visitor and event activities in Hangar 3. This shows that the facility will be financially viable.

Firm quotations have been received showing that the new facility will require approximately £3 million capital investment including fit-out costs, and a small amount of preparatory work has now been carried out at the site. The Trust has been in discussions with an investor who has offered to fund the majority of the construction costs for the Trust's New Hangar at Doncaster Sheffield Airport on land that will be leased from the Airport. Having agreed in principle the terms of the investment, detailed negotiations have commenced between solicitors. When this process is completed, we will be able to make further announcements including our planned timescale. We do however hope that the hangar will open and access to XH558 will be available in 2019. We are also in discussions with others to help fund the remainder of the project that will turn the new hangar into an exciting visitor attraction for South Yorkshire.

As a result of the forced cessation of public tours and events, the Trust had to rapidly restructure to match its costs with the much lower revenues expected. This resulted in the Trust making 14 of its staff redundant in February 2017, at a cost of over £110,000. These redundancies included skilled and trained engineers, logistic and administrative staff.

The Trust has therefore become much more reliant on volunteer support. A team of appropriately-skilled volunteers has been trained as the Vulcan ground support team, to permit demonstrations of the aircraft with its engines running.

# VULCAN TO THE SKY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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The Trust continues to carry out limited public benefit delivery activities at sites remote from DSA, including talks and presentations, and presence at events such as airshows. These include:

- Conservation of Avro Vulcan XH558 in full working order, and of other heritage aircraft and engineering artefacts.
- Presentation of Avro Vulcan XH558 at air displays and other outside events.
- Education of the general public in the Cold War, the Avro Vulcan and related topics.

The merchandise stores, order fulfilment and some engineering bays, spares and stores required to keep Vulcan XH558 in full working order, and stores for Canberra WK163's restoration to flight, occupy an industrial unit at DSA; the rest of the stores are in a cheaper location near Stratford. The administrative function is housed in a small unit in Nuneaton.

VTST's subsidiary, The Vulcan Operating Company Ltd ("VOC"), relinquished its CAA Maintenance Approvals in 2018, but is maintaining its audit and quality procedures for heritage aircraft to ensure that XH558 can be operated safely. VOC will continue to carry out all servicing activities independently in the new facility when available.

VTST also has undertaken activities to provide interpretation of the aircraft under its care, and to educate a broad range of audiences on the Cold War: the Avro Vulcan, the English Electric Canberra and the Supermarine Swift including their history, design & engineering. These activities have included giving educational talks, and planning and providing school activities in line with the National Curriculum.

## 2. ACHIEVEMENTS AND PERFORMANCE OF THE TRUST

At the start of the period, VTST had continued to move forward positively in all of its activities; however at the start of February 2017, the move from Hangar 3 to a location which does not allow public access caused the temporary suspension of much of the Trust's public benefit delivery activities. This has effectively put the Trust's future at risk because of the financial impact of the cessation of revenue-earning tours and events.

Following this event a significant restructure of the charity was undertaken, so that going forward the much reduced cost structure can be sustained by the forecast level of income. The support of our current major donors is fundamental to the charity's future until our new trading model is established (the new hangar).

### Public Benefit Delivery: Conservation of Avro Vulcan XH558 in full working order, and of other heritage aircraft and engineering artefacts

As at the end of her flying life in October 2015, XH558 had flown for approximately 346 hours on a total of 228 sorties since her return to flight in 2007. Since her first flight over 56 years ago in 1960, XH558 has flown for 7,732 hours, the Vulcan fleet leader by more than 10%.

The Trust is very grateful for the continuing support from the following:

- Doncaster Sheffield Airport and Doncaster Municipal Borough Council for their support, flexibility and enthusiasm in assisting VTST at the Airport.
- RG Group and Wordsworth Construction Services for their assistance in planning for the new hangar.
- The Founding Guardians, who were members of the now-disbanded Vulcan to the Sky Club, who have given freely their time, effort and commitment at air shows and other fundraising events, and the "Friends" of the Trust and members of the general public, whose support has been vital.
- All the Trust's volunteers, who performed important roles in support of the important hangar tour, merchandising and web store activities, in support of engineering and logistics activities, and in promoting the Trust and its activities around the country, including fundraising.

Vulcan XH558 continues to be maintained to the same servicing regime as when she was flying, with regular engine runs and systems tests. For safety, the explosives associated with the ejection seats and canopy gun have been removed, but in all other aspects, Vulcan XH558 remains serviceable. Annual services were carried out on XH558 between March and May 2017, and in early 2018.

# VULCAN TO THE SKY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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In May 2016 the Trust acquired an important English Electric Canberra aircraft, serial number WK163, together with a larger amount of spare equipment including engines. The aircraft and most spares were transported from Coventry Airport to DSA in July 2016, and was presented to visitors to Hangar 3. Information on the Canberra and its history as the RAF's first jet bomber were included in the educational hangar tours. Canberra WK163 captured the world altitude record for Britain in August 1957, and as a result is a unique and important heritage asset. Canberra WK163 was flying up to 2007; the Trust intends to return this important aircraft to flight. This project will be the subject of a separate specific targeted fundraising campaign specifically to achieve this goal.

In November 2016, the Trust was loaned a static example of the Supermarine Swift F.4 to display alongside the two other aircraft.

#### Public Benefit Delivery: Presentation of Avro Vulcan XH558 at air displays and other outside events

The Vulcan was seen by many millions of people during the eight years that the aircraft was flying, and by the end of its flying life XH558 had become quite famous. The Trustees remain pleased at the positive effect of the aircraft on spectators, especially on the young, and are delighted that so many happy memories have been laid down.

Following the end of flying, the Trust has worked with the Airport to establish an agreed method and risk assessment for ground-running the Vulcan with spectators present. Plans for taxiing the aircraft on DSA's runway at full power have been agreed in principle.

Over the period, the Trust marketed and delivered opportunities for paying visitors to experience the sights and sounds of the Vulcan during its monthly anti-deterioration ground runs. The Trust is expecting to demonstrate the aircraft taxiing following the completion of the new hangar.

The Trust used the opportunities presented by the regular engine ground runs of the Vulcan to offer close-up demonstrations of the Vulcan as she exercises her engines and systems to supporters. These are highly valued and much in demand, and represent an important revenue stream.

Key to the Trust's ability to present the aircraft in full running state is volunteers who carry out the necessary ground support activities.

#### Public Benefit Delivery: Education of the general public in the Cold War, the Avro Vulcan and related topics

General talks and presentations on the subjects of "The Return of the Vulcan" and related Cold War topics continue to be provided to a wide variety of audiences around the country. These include local aviation and general interest groups, Learned Society branches such as the Royal Aeronautical Society and the Institution for Engineering and Technology, and commercial engineering companies. These activities continue to be delivered at about 2 per month, with an average audience size of about 80. Locations at which these events occurred included Bruntingthorpe, Cosford, Doncaster, Gatwick, Grimsby, Hucknall, Lincoln, Lutterworth, Metheringham, North Weald and Woodford.

We look forward to being able to recommence visitor tours in the new hangar.

With clear enthusiasm from local schools and other educational establishments in the vicinity, the Trust's educational activities were set to advance but are currently on hold awaiting the commencement of operations in the new hangar.

The Trust's Outreach programme has seen Vulcan to the Sky present at a number of educational events including the annual Doncaster "Big Bang" and Sheffield "Get Up To Speed" events.

The Trust's cash constraints have continued to mean that the allocation of a full and dedicated education budget have so far not been possible, limiting progress and curtailing long term planning. Efforts over the period have thus been focussed on short-term projects.

The Trust's Volunteers continue to play roles in delivering educational outcomes.

# VULCAN TO THE SKY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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#### Revenue generation and public relations

Following the forced move from Hangar 3, the Trust has found itself under very significant cash constraints, but with the help of the on-going public donation stream, continuing merchandise revenues especially in high profit lines, raffles, a lottery and annual five-figure philanthropic donations, the Trust has been able to continue its operations.

The Trust has continued to invest in marketing, advertising and social media streaming aimed at both the general public and potential sponsors. The focus has been on small- to mid-range giving, individual sponsorship packages and appeals for specific needs. Incentives have included opportunities for donors to have their names on XH558's wing and a dynamic merchandise strategy.

The funding strategy is continuing to meet its now limited objectives:

- Standing Order, Direct Debit and Perpetual Lottery income received monthly by the Trust is maintaining current levels, which is heartening following the end of flying for the Vulcan.
- Gift Aid is claimed on eligible donations.
- Raffles make a significant contribution to revenues; two raffles were held over the period.
- Two highly successful "Names Under XH558's Wings" campaigns brought in nearly £450,000 in donations, the majority of which additionally generated Gift Aid.
- The new Founding Guardian scheme for people who were members of the Vulcan to the Sky Club is proving successful. For the avoidance of doubt, Founding Guardians are not Members of the Trust.
- Up until the end of 2016, the attractiveness of the Vulcan Hangar 3 as an event venue was evidenced by the number of high-value events which were booked.
- The revenue from spectators witnessing engine runs has increased.
- The sale on eBay of Vulcan and other spares that will never be required by the Trust continues to bring in approximately £1,700 per month.
- Merchandise gross sales are averaging over £24,000 per month.

Over the period, approaches continue to be made to both aerospace and engineering industry and retail/FMCG companies for sponsorship. Commercial sponsorship and major donation successes during the period included corporate donations from Airbus and AeroBytes Ltd.

The Trust's visibility across the UK air show scene has reduced in line with affordability, with Vulcan to the Sky taking the *Vulcan Trailer* to six major air displays in 2017.

The Trust's website [www.vulcantothesky.org](http://www.vulcantothesky.org) is the one of the Trust's primary communications vehicles for its supporters. It is updated on a regular basis and continues to provide news and pictorial evidence of the Trust's progress. The website also hosts the Trust's "e-donate" funding stream.

The Trust publishes email updates and newsletters once a week to signed-up supporters, providing news, reports on operations and events, and further fundraising initiatives. Following the necessity of asking supporters to opt in to receiving the newsletter service in line with GDPR requirements, the number of newsletter recipients fell by almost two thirds from approximately 85,000 to 31,000. However the Trust has confidence that those who have opted-in now represent a solid core of supporters.

Additionally, VTST has its own Facebook page with over 280,000 followers and a Twitter channel with over 87,000 followers, the latter being utilised to provide up-to-the-minute news on activities. The Trust continues to look for every opportunity to widen the exposure of its activities.

#### Fundraising policy

The Trust undertakes charitable fundraising in a variety of ways including through regular newsletters via email and mail and at events. Funding contributions come mainly from the Trust's loyal supporter base, currently of some 31,000 people, each of which in May 2018 elected to opt-in to email contact by the Trust. Without their contributions, the Trust would not be able to continue delivering its public benefits.

# **VULCAN TO THE SKY TRUST**

## **TRUSTEES' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 OCTOBER 2017**

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Supporters are able to make regular donations through appeals, and customers can add a donation at the web store online checkout. We also receive one-off donations, and supporters also engage in a monthly lottery and annual raffles. The Trust also offers speaker events throughout the country for which tickets are sold and merchandise is available.

Fundraising activities are carried out by the employees and volunteers of the Trust; the Trust does not carry out any fundraising through professional fundraising agencies. The Board of Trustees regularly reviews the Trust's fundraising activities and outcomes.

Furthermore, the Trust does not carry out any fundraising through cold contact, whether unsolicited mailing, face-to-face fundraising or telemarketing. The Trust has never received a complaint about its fundraising activities. Whilst the Trust is currently not registered with the Fundraising Regulator, it is aware of and follows its Code of Fundraising Practice and the Charity Commission's fundraising guidance. The Trust does however have the benefit of advice from a consultant who is a member of the Institute of Fundraising. The Trust itself is a member of the Association of Independent Museums.

#### Vulcan to the Sky Enterprises Limited

Vulcan to the Sky Enterprises Limited ("VTSE") is the merchandise trading arm of the charity, and has enabled the Trust to receive funds through the sale of merchandise, memorabilia and services at events and through an 'online' shop, a revenue stream which is continuing to be successful. The financial results for the year ended 31 October 2017 are summarised in note 17 to the accounts. This performance was inhibited considerably because of the loss of visitors to the hangar shop and events revenue following the move from Hangar 3 at the end of January 2017. Performance is expected to improve once the new hangar opens. VTSE covenants any profits to VTST under the Gift Aid scheme.

#### Vulcan Property Management Company Limited

From the start of the period, the Trust, through its trading subsidiary Vulcan Property Management Company Limited ("VPMC"), licensed the available space in Hangar 3 to current and new tenants: occupancy of 95% was maintained during the year, until the Trust relinquished the lease of Hangar 3 on 31<sup>st</sup> July 2017. Events using the hangar space and available conference rooms had been promoted successfully. Following the relinquishing of the lease of Hangar 3 at the end of January 2017, VPMC lost all event revenue, however the new lessees contracted with VPMC to provide those services required to maintain tenant operations in Hangar 3, on a profitable basis for VPMC. VPMC ceased to trade at the end of December 2017.

#### The Vulcan Operating Company Limited

The Vulcan Operating Company Limited is the subsidiary of the Trust responsible for engineering activities on the Trust's aircraft, and employed the Trust's aircraft trade technicians, fitters and quality specialists, before it stopped trading at the end of February 2017.

#### The Vulcan Marketing Company Limited

The Vulcan Marketing Company Limited was established to provide fund-raising, marketing and public relations services to 3rd party companies, based on the successful models implemented by the Trust, before it stopped trading at the end of February 2017.



# VULCAN TO THE SKY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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#### Heritage Lottery Fund

The Heritage Lottery Fund, in the form of its legal entity the National Memorial Heritage Fund (NHMF), maintains a charge over the Avro Vulcan XH558 on a reducing amount based on the HLF grant and the flying life of the aircraft, which is covered by the aircraft's Hull insurance. The contract between the VTST and the NHMF is for 80 years from 2005, requiring the Trust to deliver its public benefits based on the aircraft over this time. When XH558 finally ended its flying life, it had completed 346 hours flying since its return to flight in 2007, successfully exceeding its flying commitment to the NHMF of 250 flying hours.

### 3. FINANCIAL REVIEW

Total income of the group for the 12 months ended 31<sup>st</sup> October 2017 amounted to £1,413,217 (2016: £2,400,471). The Trust's principle funding comes from several sources such as donations, fundraising draws and lotteries, and merchandise sales. Total expenditure for the 12 months ended 31<sup>st</sup> October 2017 was £1,427,321 (2016: £2,598,384).

The net assets of the group as at 31<sup>st</sup> October 2017 were £1,022,076 (2016: £1,036,180).

The group's fixed assets comprise the Avro Vulcan XH558, its associated spare parts, ground equipment and tools, together with miscellaneous items, and are valued as at 31<sup>st</sup> October 2017 at £819,510 (2016: £855,180).

There is a charge over the aircraft in favour of the National Heritage Memorial Fund in the amount of £427,000 reducing on a straight line basis until 2085.

The Trustees believe that income in the form of donation streams, raffles, lotteries, sponsorship, and merchandise revenues will allow the Trust to continue its activities for the foreseeable future. The Trust is also running an ongoing campaign to gain commercial sponsorship to help fund the future plans for the aircraft and supporting activities.

#### Reserves Policy

The Trust's reserves policy is to aim to build up, over time, unrestricted funds to a level equivalent to 6 months of expenditure. In the current trading conditions, it has proved difficult to move towards satisfying this policy, although the Trustees retain this as an important target. Currently the Trust holds funds equivalent to 2 months of expenditure.

As at 31 October 2017 the Group's free reserves (unrestricted funds less fixed assets) totalled £202,566.

### 4. PLANS FOR FUTURE PERIODS

The Vulcan to the Sky Trust's objectives for future periods are to:

- Maintain Avro Vulcan XH558 in full working order, and to operate the aircraft on the ground safely to the benefit of spectators at DSA for as long as possible.
- Plan to restore Canberra WK163 to an airworthy condition, and to display the aircraft to the benefit of the public at airshows and other outside events around the country, and to raise funds specifically for that purpose.
- Develop a medium-term plan for the Trust to provide relevant public benefits, in particular in inspiring the young in engineering, technology and aviation.
- Develop the new hangar base at Doncaster Sheffield Airport to ensure growing public access to these important aircraft, and satisfy the requirements of operational and maintenance feasibility, affordability, visitor and school accessibility, catchment area and local & regional support.
- Deliver inspirational education experiences on design, science, technology, engineering and mathematics (STEM), to a range of audiences, including national curriculum topics for school children and on Cold War history and related subjects, focused around the aircraft.
- Secure the funding needed to achieve the above objectives, from a diverse range of sources so as to minimise risk, including expanding the Guardians scheme to all.

# VULCAN TO THE SKY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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#### 5. ORGANISATIONAL STRUCTURE, GOVERNANCE AND MANAGEMENT

Vulcan to the Sky Trust was granted charitable status on 6 February 2004, and is registered with the Charity Commission under number 01101948.

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 Trustees (who are also the Trust's Directors) who have served since 1 November 2016 are as detailed in section 6.

The Board of Trustees met formally on three occasions between 1<sup>st</sup> November 2016 and 31<sup>st</sup> October 2017. Four additional meetings were held by Conference Call. The Trustees are the only Members of the Trust. None of the Trustees received any remuneration or benefits.

#### Recruitment and training of Trustees

Given the nature of its past activities, the recruitment of new Trustees had been primarily from the aviation community. However as the Trust's activities broaden, Trustees are now being sought from the wider engineering, industry and education sectors, and the South Yorkshire region. New Trustees are appointed in accordance with the articles of association. Any new Trustees are provided with a one-on-one induction by the Company Secretary, including briefings on the workings of the Trust, its formal documentation, the Trustee's role, the financial status of the Trust and its future plans.

#### The activities of the Board

The Board is responsible for policy and overall management of the charity, but has delegated necessary operating powers and decision-making to an Executive Committee, which during the period comprised of Robert Fleming (Company Secretary), Michael Trotter (Commercial and Business Development Consultant) and Andrew Edmondson (Engineering Director). The Executive Committee meets on approximately a monthly basis.

Following its restructure, the Trust had 7 full-time employees and 2 part-time employee, plus 5 part-time contractors, as at 31<sup>st</sup> October 2017. The Trust also benefits significantly from a large amount of volunteer support, including specifically assisting with public relations, hangar tours, merchandise fulfilment and the Trust's air show presence.

Dr Robert Fleming, VTST Company Secretary, remains a director of the Trust's subsidiaries.

At the Trust's 2016 Annual General Meeting, held on 29<sup>th</sup> June 2017, the Board accepted the retirement-by-rotation of Richard Clarke, Sir Gerald Howarth and John Sharman. As they each had offered themselves for reappointment, Sir Donald Spiers formally proposed their reappointment. This was seconded by Philip Spiers.

#### Subsidiaries

Vulcan to the Sky Enterprises Limited is the wholly-owned retail trading subsidiary of VTST, and is managed by Andrew Edmondson as its lead Director. VTSE covenants its taxable profits to VTST under the Gift Aid scheme.

There are three additional wholly-owned trading subsidiaries of the Trust, which were incorporated to enable the Trust to undertake certain activities aimed at creating a sustainable business model at the Trust's location in Hangar 3 at Robin Hood Airport, now Doncaster Sheffield Airport. These three trading subsidiaries will also covenant their taxable profits to VTST under the Gift Aid scheme.

The Vulcan Property Management Company Limited was incorporated on 21 December 2015, and was set up to manage the tenant-occupied hangar space, offices and conference rooms available as the result of the Trust taking over the lease of Hangar 3 at DSA at the beginning of January 2016 from Directions Finningley CIC. The Trust held the head lease for the 2016 calendar year, and sublet the space not required by the Trust to VPMC, which then licences space to a number of tenants. Andrew Edmondson is the lead Director for VPMC. VPMC provided services to the current lessee of Hangar 3 during the year.

# VULCAN TO THE SKY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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The Vulcan Marketing Company Limited ("VMC") was incorporated on 9 December 2015 and became active at the end of the first quarter of 2016. Its goal was to generate profits through the sale of marketing services to other organisations in the business of restoring, conserving or operating heritage engineering assets, by utilising the Trust's successful crowd-funding model. Robert Fleming is the lead Director for VMC. However in light of the restructure of the group, the company ceased trading in February 2017.

The Vulcan Operating Company Limited ("VOC") has been in existence as a dormant company since 1999, but was changed to an active company in first quarter of 2016. The VOC is the engineering arm of the Trust, and holds the approvals from the Civil Aviation Authority for servicing and airworthiness management for non-EASA aircraft. Its goal was to generate profits from the sale of its services to other organisations in the business of restoring, conserving or operating heritage aircraft. Its lead Director is Andrew Edmondson. However in light of the restructure of the group, the company ceased trading in February 2017.

#### Risk Management

The Trust, through its management team, continue to identify and review the major risks that the charity faces. Procedures, including a Safety Management System, have been put in place to mitigate and monitor these risks. Health and Safety are included as topics at every Executive Meeting. Given the nature of its activities, the Trust has also put in place a Safety Review Committee, chaired by one of the Trustees, with a suitably-qualified Independent Member from outside the Trust.

The Trust's public liabilities arising from operation of the Vulcan aircraft are insured through K M Dastur and Company Ltd Aviation Insurance Brokers. Additional aviation insurance policies include cover for damage to the aircraft, for war and terrorism risks, and for personal injury insurance for the aircrew.

## 6. REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS

#### **Trustees**

Mr John Sharman FRAeS (Chairman)  
Air Commodore Ed Jarron (Vice Chairman)  
Mr Richard Clarke  
Sir Gerald Howarth  
Dr Stephen Liddle  
Mr Ken Smart CBE  
Sir Donald Spiers CB TD FRAeS  
Mr Phillip Spiers

#### **Secretary and Chief Executive**

Dr Robert Fleming FRAeS

#### **Charity number**

01101948

#### **Company number**

04478686

#### **Principal address**

Unit 4, Delta Court  
Third Avenue  
Doncaster Sheffield Airport  
Doncaster  
DN9 3GEN

# **VULCAN TO THE SKY TRUST**

## **TRUSTEES' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2017**

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|--------------------------|---|
| <b>Registered office</b> | Unit 4, Delta Court<br>Third Avenue<br>Doncaster Sheffield Airport<br>Doncaster<br>DN9 3GEN |
| <b>Auditors</b>          | Newby Castleman LLP<br>West Walk Building<br>110 Regent Road<br>Leicester<br>LE1 7LT        |
| <b>Bankers</b>           | HSBC Bank Plc<br>58 High Street<br>Winchester<br>Hampshire<br>SO23 9BZ                      |
| <b>Solicitors</b>        | Laceys Solicitors<br>5 Poole Road<br>Bournemouth<br>Dorset<br>BH2 5QL                       |

### **7. STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The Trustees (who are also directors of Vulcan to the Sky Trust for the purposes of company law) are responsible for preparing the Trustees' 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 for the charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group 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 financial statements on the going concern basis unless it is inappropriate to presume that the charitable company and group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# VULCAN TO THE SKY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company and group's auditors are 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 auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### 8. SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Signed on behalf of the Trustees

  
.....  
Mr John Shalman FRAeS  
Chairman of Trustees

Approved by the Board of Trustees on 24 July 2018

# **VULCAN TO THE SKY TRUST**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE TRUSTEES OF VULCAN TO THE SKY TRUST**

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#### **Opinion**

We have audited the financial statements of Vulcan to the Sky Trust (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 October 2017 which comprise the Group Consolidated Statement of Financial Activities, The Group and Company Balance Sheet, The Group Statement of Cash Flows 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 FRS 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 October 2017, 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 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.

#### **Material uncertainty related to going concern**

We draw attention to note 1.3 of the financial statements, which indicates that the group's ability to continue as a going concern is reliant on future financial support from its donors and investors. These conditions, along with the other matters as set forth in note 1.3, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

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

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

We have nothing to report in this regard.

# VULCAN TO THE SKY TRUST

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE TRUSTEES OF VULCAN TO THE SKY TRUST

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

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; 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 pages 10 and 11, 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.

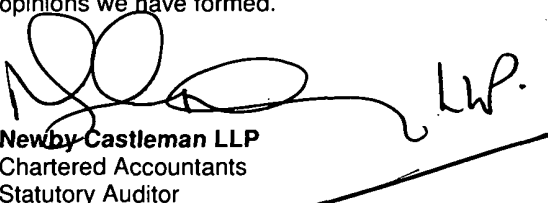
#### Auditor's responsibilities for the audit of the financial statements

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

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

#### Use of our report

This report is made solely 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 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Newby Castleman LLP  
Chartered Accountants  
Statutory Auditor  
West Walk Building  
110 Regent Road  
Leicester  
LE1 7LT

Date: 26 July 2018

Newby Castleman LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

# VULCAN TO THE SKY TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2017

|  | Notes | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Total<br>2017<br>£ | Total<br>2016<br>£ |
|--|-------|----------------------------|--------------------------|--------------------|--------------------|
| <b>Income from</b>   |       |                            |                          |                    |                    |
| Donations and legacies   | 3     | 786,506                    | -                        | 786,506            | 1,045,153          |
| Charitable activities  | 4     | 94,656                     | -                        | 94,656             | 298,343            |
| Other trading activities   | 5     | 382,114                    | -                        | 382,114            | 876,530            |
| Investments  | 6     | 37                         | -                        | 37                 | 160                |
| Other  | 7     | 149,904                    | -                        | 149,904            | 180,285            |
| <b>Total</b>   |       | <b>1,413,217</b>           | <b>-</b>                 | <b>1,413,217</b>   | <b>2,400,471</b>   |
| <b>Expenditure on</b>  |       |                            |                          |                    |                    |
| Raising funds  | 8     | 818,141                    | -                        | 818,141            | 1,376,660          |
| Charitable activities  | 9     | 608,228                    | -                        | 608,228            | 1,221,058          |
| Taxation   | 14    | 952                        | -                        | 952                | 666                |
| <b>Total</b>   |       | <b>1,427,321</b>           | <b>-</b>                 | <b>1,427,321</b>   | <b>2,598,384</b>   |
| <b>Net income / (expenditure) for the year /<br/>Net movement in funds</b> |       | <b>(14,104)</b>            | <b>-</b>                 | <b>(14,104)</b>    | <b>(197,913)</b>   |
| <b>Reconciliation of funds</b>   |       |                            |                          |                    |                    |
| Total funds brought forward  |       | 1,036,180                  | -                        | 1,036,180          | 1,234,093          |
| <b>Total funds carried forward</b>   |       | <b>1,022,076</b>           | <b>-</b>                 | <b>1,022,076</b>   | <b>1,036,180</b>   |

All income and expenditure derive from continuing activities.

The statement of financial activities includes all gains and losses recognised during the year.



# VULCAN TO THE SKY TRUST

## BALANCE SHEETS

AS AT 31 OCTOBER 2017

|  | Notes     | Group<br>2017<br>£ | Charity<br>2017<br>£ | Group<br>2016<br>£ | Charity<br>2016<br>£ |
|--|-----------|--------------------|----------------------|--------------------|----------------------|
| <b>Fixed assets</b>                            |           |                    |                      |                    |                      |
| Tangible assets                                | 15        | 39,112             | 24,778               | 64,068             | 43,715               |
| Heritage assets                                | 16        | 780,398            | 780,398              | 791,112            | 791,112              |
| Investments                                    | 17        | -                  | 5                    | -                  | 5                    |
| <b>Total fixed assets</b>                      |           | <b>819,510</b>     | <b>805,181</b>       | <b>855,180</b>     | <b>834,832</b>       |
| <b>Current assets</b>                          |           |                    |                      |                    |                      |
| Stocks   | 19        | 105,685            | -                    | 149,145            | -                    |
| Debtors  | 20        | 134,415            | 383,473              | 125,270            | 325,110              |
| Cash at bank and in hand                       |           | 142,074            | 10,844               | 175,693            | 53,578               |
| <b>Total current assets</b>                    |           | <b>382,174</b>     | <b>394,317</b>       | <b>450,108</b>     | <b>378,688</b>       |
| <b>Liabilities:</b>                            |           |                    |                      |                    |                      |
| Creditors: Amounts falling due within one year | 21        | (177,686)          | (184,866)            | (268,138)          | (201,099)            |
| <b>Net current assets</b>                      |           | <b>204,488</b>     | <b>209,451</b>       | <b>181,970</b>     | <b>177,589</b>       |
| <b>Total assets less current liabilities</b>   |           | <b>1,023,998</b>   | <b>1,014,632</b>     | <b>1,037,150</b>   | <b>1,012,421</b>     |
| Provisions for liabilities                     | 22        | (1,922)            | -                    | (970)              | -                    |
| <b>Total net assets</b>                        | <b>24</b> | <b>1,022,076</b>   | <b>1,014,632</b>     | <b>1,036,180</b>   | <b>1,012,421</b>     |
| <b>The funds of the charity</b>                |           |                    |                      |                    |                      |
| Restricted funds                               | 23        | -                  | -                    | -                  | -                    |
| Unrestricted funds                             |           | 1,022,076          | 1,014,632            | 1,036,180          | 1,012,421            |
| <b>Total charity funds</b>                     |           | <b>1,022,076</b>   | <b>1,014,632</b>     | <b>1,036,180</b>   | <b>1,012,421</b>     |

These financial statements have been prepared in accordance with the provision applicable to companies subject to the small companies' regime.

For the year ending 31 October 2017 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies but as the company is a charity, it is subject to audit under the Charities Act 2011.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.


# VULCAN TO THE SKY TRUST

## BALANCE SHEETS (CONTINUED)

AS AT 31 OCTOBER 2017

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The financial statements were approved and authorised for issue by the board of trustees on 24 July 2018 and are signed on its behalf by:

  
Mr John Sharman FRAeS  
Chairman of Trustees

Company Registration No. 04478686

The notes on pages 18 – 36 form part of these financial statements.

# VULCAN TO THE SKY TRUST

## GROUP STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 OCTOBER 2017

|  | Notes     | £       | 2017<br>£       | £        | 2016<br>£        |
|--|-----------|---------|-----------------|----------|------------------|
| <b>Net cash (outflow) / inflow from operating activities</b> | <b>29</b> |         | <b>(46,826)</b> |          | <b>(328,204)</b> |
| <b>Cash flow from investing activities</b>                   |           |         |                 |          |                  |
| Payments to acquire tangible fixed assets                    |           | (3,785) |                 | (54,885) |                  |
| Receipts from sales of tangible fixed assets                 |           | 16,955  |                 | -        |                  |
| Payments to acquire heritage assets                          |           | -       |                 | (51,826) |                  |
| Interest received  |           | 37      |                 | 160      |                  |
| <b>Net cash (outflow) / inflow from investing activities</b> |           |         | <b>13,207</b>   |          | <b>(106,551)</b> |
| <b>Cash flow from financing activities</b>                   |           |         |                 |          |                  |
| Payments of obligations under finance lease                  |           | -       |                 | (2,570)  |                  |
| <b>Net cash (outflow) / inflow from financing activities</b> |           |         | <b>-</b>        |          | <b>(2,570)</b>   |
| <b>Net increase / (decrease) in cash of cash equivalents</b> |           |         | <b>(33,619)</b> |          | <b>(437,325)</b> |
| <b>Cash or cash equivalents at 1 November 2016</b>           |           |         | <b>175,693</b>  |          | <b>613,018</b>   |
| <b>Cash or cash equivalents at 31 October 2017</b>           |           |         | <b>142,074</b>  |          | <b>175,693</b>   |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2017

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### 1 Accounting policies

#### Charity information

Vulcan to the Sky Trust ("the charity") is a private company limited by guarantee, incorporated in England and Wales. In the event of the company being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity. The address of the registered office is given in the reference and administration section of the trustees' report.

The group consists of Vulcan to the Sky Trust and all of its subsidiaries ("the group"), being Vulcan to the Sky Enterprises Limited, The Vulcan Operating Company Limited, The Vulcan Property Management Company Limited, and The Vulcan Marketing Company Limited.

#### 1.1 Basis of preparation

The charity constitutes a public benefit entity as defined by FRS 102. These financial statements have been prepared in accordance with: the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102"), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities applying FRS 102, the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

These financial statements are prepared under the historical cost convention, modified to include the revaluation of certain heritage assets. The principal accounting policies adopted are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The charity is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this charity, which are intended to give a true and fair view of the assets, liabilities, financial position and net movement in funds of the group. The charity has taken advantage of the exemption from preparing a statement of financial activities and a statement of cash flows on the basis that these are incorporated into the group statement of financial activities and statement of cash flows.

#### 1.2 Basis of consolidation

The consolidated financial statements incorporate those of Vulcan to the Sky Trust and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 October 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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#### **1 Accounting Policies (continued)**

##### **1.3 Going concern**

These financial statements are prepared on the going concern basis. The trustees have a reasonable expectation that the group will continue in operational existence for the foreseeable future. However, the trustees are aware of certain material uncertainties which may cast doubt on the group's ability to continue as a going concern.

As explained more fully in the trustees report set out on page 2, comprehensive business plans have been drawn up to build a new hangar specifically designed for the group's tour, event and engineering activities. Based on all of the information that is currently available, the trustees have a reasonable expectation that they will secure the necessary investment for this project and will also receive the continued support of Doncaster Sheffield Airport ("DSA"), who are expected to provide a lease for the site upon which the hangar will be built. A withdrawal of support by either the proposed investor or DSA would cast a significant doubt over the charity's going concern status.

The trustees have prepared forecasts for the period ended 31 July 2019 which incorporate the above plans. Based on these forecasts, and the voluntary income that has been received since the year end date, the trustees are of the opinion that the group will receive sufficient donations and investment for a period of at least 12 months from the date of approval of these financial statements to continue operating. However, donations are intrinsically uncertain and the ongoing support of the charity's current donors and supporters will be fundamental until the new trading model has been established.

On this basis, the trustees consider it appropriate to prepare the financial statements on the going concern basis.

##### **1.4 Charitable funds**

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

##### **1.5 Income recognition**

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised at the earlier of the charity being notified of an impending distribution or the legacy being received. Where legacies have been notified to the charity but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income from charitable activities includes Airshow appearances and Hangar tour income.

Airshow appearances represent the value of fees received during the year, at selling price exclusive of Value Added Tax. Fees are recognised at the point at which the company has fulfilled its contractual obligations to the customer.

Hangar tour income is recognised when the tour takes place. Income from ticket sales received in advance of the tour are deferred.

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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#### 1 Accounting Policies (continued)

Income from trading activities primarily includes income earned from the sale of merchandise and raffles.

Sale of merchandise represents all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product, have been transferred to the customer.

Investment income is earned through holding assets for investment purposes. It comprises bank interest and is recognised on an accruals basis.

Other income primarily includes sublease and event income, which represents the value of rent and service charges receivable, recognised on an accruals basis.

#### 1.6 Expenditure recognition

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

- Costs of raising funds includes costs incurred in seeking donations, legacies, grants and fundraising.
- Expenditure on charitable activities includes costs relating to restoration and maintenance, and exhibition and display, to further the delivery of the objectives of the charity.

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

#### 1.7 Support costs

Support costs are those that assist the work of the charity but do not directly represent charitable activities and costs of raising funds and include office costs, governance costs and administrative payroll costs. They are incurred directly in support of expenditure on the objectives of the charity. Support costs are allocated to costs of raising funds and expenditure on charitable activities on a basis consistent with use of the resources.

The analysis of these costs is included in note 11.

#### 1.8 Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

|                                |                   |
|--------------------------------|-------------------|
| Fixtures, fittings & equipment | 20% straight line |
| Motor vehicles                 | 20% straight line |

#### 1.9 Heritage assets

Heritage assets comprise the Avro Vulcan G-VLCN (XH558) and the English Canberra (WK163). The Vulcan is stated at valuation less depreciation, whilst the Canberra is stated at cost. Depreciation is provided on the Vulcan at a rate calculated to write off the valuation less estimated residual value over its useful economic life, being 70 years from the date which the Vulcan ceased to fly. Depreciation is not yet provided for the Canberra because the asset is not yet available for display.

The trustees have estimated the remaining useful economic life of the Vulcan to be to October 2085 and the residual value of the aircraft to be £Nil.

The charity's current policy is to maintain the aircraft in full working order and associated maintenance costs are charged to the Statement of Financial Activities.

Public access to the aircraft is achieved through visits to their permanent home at Robin Hood Airport. However, as noted in the trustees' report, public access is currently restricted due to the move in hangars.

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

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### 1 Accounting Policies (continued)

#### 1.10 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount in order to determine the extent of the impairment loss (if any). Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the Statement of Financial Activities (SOFA) unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the SOFA, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.11 Investments in subsidiaries

Investments are stated at cost less any provision for diminution in value.

#### 1.12 Stock

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Stock cost is recorded as invoice price net of any discounts received.

#### 1.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

#### 1.14 Financial instruments

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Debtors and creditors with no stated interest rate and receivable or payable within one year are measured at transaction price. Any losses arising from impairment are recognised in the SOFA.

#### 1.15 Employee benefits

When employees have rendered service to the charity, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the SOFA on a straight line basis over the term of the relevant lease.

#### 1.18 Taxation

Vulcan to the Sky Trust is a registered charity and no taxation provision is required as its income from charitable activities falls within the various exemptions available to registered charities.

The tax expense represents the sum of deferred tax on all subsidiaries, after taking into account any profits covenanted up to the charity.

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

#### 2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Valuation of heritage asset (Vulcan)

The valuation of the Vulcan is reassessed annually by the trustees and, when necessary, amended to reflect current estimates.

#### 3 Donations and legacies

|                                     | Unrestricted<br>funds | Restricted<br>funds | Total<br>2017  | Total<br>2016    |
|-------------------------------------|-----------------------|---------------------|----------------|------------------|
|                                     | £                     | £                   | £              | £                |
| Regular donations                   | 133,899               | -                   | 133,899        | 184,026          |
| One off donations                   | 63,072                | -                   | 63,072         | 73,792           |
| Corporate donations and sponsorship | 151,666               | -                   | 151,666        | 200,000          |
| Other donations                     | 394,307               | -                   | 394,307        | 258,435          |
| Gift aid recovered                  | 43,562                | -                   | 43,562         | 31,795           |
| Legacies                            | -                     | -                   | -              | 297,045          |
| Operation 2015 pledges              | -                     | -                   | -              | 60               |
|                                     | <u>786,506</u>        | <u>-</u>            | <u>786,506</u> | <u>1,045,153</u> |
| Unrestricted funds                  |                       |                     |                | 1,045,093        |
| Restricted funds                    |                       |                     |                | 60               |
|                                     |                       |                     |                | <u>1,045,153</u> |



# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

### 4 Charitable activities

|                        | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Total<br>2017<br>£ | Total<br>2016<br>£ |
|------------------------|----------------------------|--------------------------|--------------------|--------------------|
| Exhibition and display | 94,656                     | -                        | 94,656             | 298,343            |
|                        | <u>94,656</u>              | <u>-</u>                 | <u>94,656</u>      | <u>298,343</u>     |
| Unrestricted funds     |                            |                          |                    | 298,343            |
| Restricted funds       |                            |                          |                    | -                  |
|                        |                            |                          |                    | <u>298,343</u>     |

### 5 Other trading activities

|                      | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Total<br>2017<br>£ | Total<br>2016<br>£ |
|----------------------|----------------------------|--------------------------|--------------------|--------------------|
| Sale of merchandise  | 323,064                    | -                        | 323,064            | 749,051            |
| Raffle income        | 44,027                     | -                        | 44,027             | 109,120            |
| Commission income    | 14,337                     | -                        | 14,337             | 18,127             |
| Other trading income | 686                        | -                        | 686                | 232                |
|                      | <u>382,114</u>             | <u>-</u>                 | <u>382,114</u>     | <u>876,530</u>     |
| Unrestricted funds   |                            |                          |                    | 876,530            |
| Restricted funds     |                            |                          |                    | -                  |
|                      |                            |                          |                    | <u>876,530</u>     |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

### 6 Investment income

|                     | Unrestricted funds | Restricted funds | Total 2017 | Total 2016 |
|---------------------|--------------------|------------------|------------|------------|
|                     | £                  | £                | £          | £          |
| Interest receivable | 37                 | -                | 37         | 160        |
|                     | <u>37</u>          | <u>-</u>         | <u>37</u>  | <u>160</u> |
| Unrestricted funds  |                    |                  |            | 160        |
| Restricted funds    |                    |                  |            | -          |
|                     |                    |                  |            | <u>160</u> |

### 7 Other income

|                                     | Unrestricted funds | Restricted funds | Total 2017     | Total 2016     |
|-------------------------------------|--------------------|------------------|----------------|----------------|
|                                     | £                  | £                | £              | £              |
| Sublease and event income           | 146,326            | -                | 146,326        | 180,285        |
| Net gain on disposal of fixed asset | 3,578              | -                | 3,578          | -              |
|                                     | <u>149,904</u>     | <u>-</u>         | <u>149,904</u> | <u>180,285</u> |
| Unrestricted funds                  |                    |                  |                | 180,285        |
| Restricted funds                    |                    |                  |                | -              |
|                                     |                    |                  |                | <u>180,285</u> |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

### 8 Raising funds

|                                  | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Total<br>2017<br>£ | Total<br>2016<br>£ |
|----------------------------------|----------------------------|--------------------------|--------------------|--------------------|
| <u>Fundraising and publicity</u> |                            |                          |                    |                    |
| Purchase of merchandise          | 125,327                    | -                        | 125,327            | 313,981            |
| Premises costs                   | 101,884                    | -                        | 101,884            | 229,232            |
| Raffle costs                     | 11,564                     | -                        | 11,564             | 6,505              |
| Consultancy costs                | 54,105                     | -                        | 54,105             | 48,408             |
| Printing, postage and stationery | 43,695                     | -                        | 43,695             | 67,287             |
| Advertising and promotion        | 126,915                    | -                        | 126,915            | 283,022            |
| Computer costs                   | 7,493                      | -                        | 7,493              | 29,741             |
|                                  | <u>470,983</u>             | <u>-</u>                 | <u>470,983</u>     | <u>978,176</u>     |
| Share of support costs (note 11) | 347,158                    | -                        | 347,158            | 398,484            |
|                                  | <u>818,141</u>             | <u>-</u>                 | <u>818,141</u>     | <u>1,376,660</u>   |
| Unrestricted funds               |                            |                          |                    | 1,376,600          |
| Restricted funds                 |                            |                          |                    | 60                 |
|                                  |                            |                          |                    | <u>1,376,660</u>   |

### 9 Charitable activities

|                             | Activities<br>undertaken<br>directly<br>(note 10)<br>£ | Support<br>costs<br>(note 11)<br>£ | Total<br>2017<br>£ | Total<br>2016<br>£ |
|-----------------------------|--|------------------------------------|--------------------|--------------------|
| Restoration and maintenance | 330,913  | 75,921                             | 406,834            | 789,466            |
| Exhibition and display      | 103,046  | 98,348                             | 201,394            | 431,592            |
|                             | <u>433,959</u>   | <u>174,269</u>                     | <u>608,228</u>     | <u>1,221,058</u>   |
| Unrestricted funds          |  |                                    | 608,228            | 1,221,058          |
| Restricted funds            |  |                                    | -                  | -                  |
|                             |  |                                    | <u>608,228</u>     | <u>1,221,058</u>   |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

### 10 Activities undertaken directly

|                                  | Restoration<br>and<br>maintenance<br>£ | Exhibition<br>and display<br>£ | Total<br>2017<br>£ | Total<br>2016<br>£ |
|----------------------------------|--|--------------------------------|--------------------|--------------------|
| Staff costs                      | 239,583                                | 30,271                         | 269,854            | 608,239            |
| Depreciation                     | 10,714                                 | -                              | 10,714             | 10,776             |
| Aircraft costs                   | 6,938                                  | 40,335                         | 47,273             | 182,141            |
| Hangar costs                     | 59,004                                 | -                              | 59,004             | 82,001             |
| Air show events                  | -                                      | 27,598                         | 27,598             | 82,762             |
| Travel costs                     | 14,674                                 | -                              | 14,674             | 28,799             |
| Printing, postage and stationery | -                                      | 4,842                          | 4,842              | 19,821             |
|                                  | <u>330,913</u>                         | <u>103,046</u>                 | <u>433,959</u>     | <u>1,014,539</u>   |

### 11 Support costs

|                | Raising<br>funds<br>£ | Restoration<br>and<br>maintenance<br>£ | Exhibition<br>and display<br>£ | Total<br>2017<br>£ | Total<br>2016<br>£ |
|----------------|-----------------------|--|--------------------------------|--------------------|--------------------|
| Staff costs    | 237,179               | -                                      | 26,353                         | 263,532            | 246,600            |
| Depreciation   | 15,364                | -                                      | -                              | 15,364             | 17,612             |
| Computer costs | 18,499                | 12,333                                 | -                              | 30,832             | 47,078             |
| Bank charges   | 24,594                | -                                      | -                              | 24,594             | 35,025             |
| Other costs    | 51,522                | 63,588                                 | 71,995                         | 187,105            | 258,688            |
|                | <u>347,158</u>        | <u>75,921</u>                          | <u>98,348</u>                  | <u>521,427</u>     | <u>605,003</u>     |

Support costs have been allocated to activities on a relevant basis to the nature of the underlying costs in proportion to resources used. Other costs include governance costs totalling £55,954 (2016 - £62,358). Governance costs include auditors remuneration totalling £20,000 (2016 - £20,000).

### 12 Trustees remuneration

Except for Richard Clarke, none of the trustees received any remuneration, benefits or reimbursed expenses from the charity during the year, or the previous year. Richard Clarke claimed expenses relating to travel and subsistence, amounting to £4,586 (2016: £2,452).

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 13 Employees

#### Number of employees

The average monthly number of employees during the year was:

|                               | 2017<br>Number | 2016<br>Number |
|-------------------------------|----------------|----------------|
| Management and administration | 13             | 22             |
| Aircraft crew                 | 3              | 14             |
|                               | <u>16</u>      | <u>36</u>      |

#### Employment costs

|   | 2017<br>£      | 2016<br>£      |
|---|----------------|----------------|
| Wages and salaries                            | 446,963        | 772,282        |
| Social security costs                         | 34,977         | 47,282         |
| Pension costs                                 | 7,277          | 4,764          |
| Redundancy, termination or ex gratia payments | 44,169         | 30,511         |
|   | <u>533,386</u> | <u>854,839</u> |

The number of employees whose annual remuneration was £60,000 or more were:

|                    | 2017<br>Number | 2016<br>Number |
|--------------------|----------------|----------------|
| £70,000 to £80,000 | -              | 1              |

Robert Fleming was the only member of staff who earned more than £60,000 in 2016.

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows:

|                        | 2017<br>£      | 2016<br>£      |
|------------------------|----------------|----------------|
| Aggregate compensation | <u>147,038</u> | <u>189,328</u> |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 14 Taxation

The company is a registered charity and is entitled to certain exemptions from corporation tax on profits from investments and its trading activities carried on in furtherance of the charity's primary objectives. The trading subsidiaries are subject to corporation tax on their profits, however all of its profits, when taxable, are covenanted to the company and therefore no corporation tax is due.

|  | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Total<br>2017<br>£ | Total<br>2016<br>£ |
|--|----------------------------|--------------------------|--------------------|--------------------|
| <b>Deferred tax</b>                            |                            |                          |                    |                    |
| Origination and reversal of timing differences | 952                        | -                        | 952                | 666                |
|  | <u>952</u>                 | <u>-</u>                 | <u>952</u>         | <u>666</u>         |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

#### 15 Tangible fixed assets

|                           | Fixtures,<br>fittings &<br>equipment<br>£ | Motor<br>vehicles<br>£ | Total<br>£     |
|---------------------------|---|------------------------|----------------|
| <b>(a) Group</b>          |   |                        |                |
| <b>Cost</b>               |   |                        |                |
| At 1 November 2016        | 377,770                                   | 8,021                  | 385,791        |
| Additions                 | 335                                       | 3,450                  | 3,785          |
| Disposals                 | (18,280)                                  | (2,650)                | (20,930)       |
| <b>At 31 October 2017</b> | <b>359,825</b>                            | <b>8,821</b>           | <b>368,646</b> |
| <b>Depreciation</b>       |   |                        |                |
| At 1 November 2016        | 315,410                                   | 6,313                  | 321,723        |
| On disposals              | (4,903)                                   | (2,650)                | (7,553)        |
| Charge for the year       | 14,105                                    | 1,259                  | 15,364         |
| <b>At 31 October 2017</b> | <b>324,612</b>                            | <b>4,922</b>           | <b>329,534</b> |
| <b>Net book value</b>     |   |                        |                |
| <b>At 31 October 2017</b> | <b>35,213</b>                             | <b>3,899</b>           | <b>39,112</b>  |
| At 31 October 2016        | 62,360                                    | 1,708                  | 64,068         |
| <b>(b) Charity</b>        |   |                        |                |
| <b>Cost</b>               |   |                        |                |
| At 1 November 2016        | 333,509                                   | 5,371                  | 338,880        |
| Additions                 | 335                                       | 3,450                  | 3,785          |
| Disposals                 | (17,580)                                  | -                      | (17,580)       |
| <b>At 31 October 2017</b> | <b>316,264</b>                            | <b>8,821</b>           | <b>325,085</b> |
| <b>Depreciation</b>       |   |                        |                |
| At 1 November 2016        | 291,501                                   | 3,664                  | 295,165        |
| On disposals              | (4,763)                                   | -                      | (4,763)        |
| Charge for the year       | 8,646                                     | 1,259                  | 9,905          |
| <b>At 31 October 2017</b> | <b>295,384</b>                            | <b>4,923</b>           | <b>300,307</b> |
| <b>Net book value</b>     |   |                        |                |
| <b>At 31 October 2017</b> | <b>20,880</b>                             | <b>3,898</b>           | <b>24,778</b>  |
| At 31 October 2016        | 42,008                                    | 1,707                  | 43,715         |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 16 Heritage assets

|   | Vulcan<br>(valuation)<br>£ | Canberra<br>(cost)<br>£ | Total<br>£     |
|---|----------------------------|-------------------------|----------------|
| <b>Group and company</b>                  |                            |                         |                |
| Carrying amount at 1 November 2016        | 739,286                    | 51,826                  | 791,112        |
| Depreciation / impairment                 | (10,714)                   | -                       | (10,714)       |
| <b>Carrying amount at 31 October 2017</b> | <b>728,572</b>             | <b>51,826</b>           | <b>780,398</b> |

At 31 October 2017 the charity held three heritage assets:

- 1) Avro Vulcan G-VLCN (XH558) – held at valuation
- 2) English Canberra (WK163) – held at cost
- 3) Supermarine (WK275) – on loan

#### The Avro Vulcan B.MK2 G-VLCN (XH558)

XH558 was the last Vulcan to leave RAF service, flying on from 1986 to 1993 as the single RAF Display Vulcan, a career of 33 years. In 1997, a small team headed by Dr Robert Fleming started an audacious plan to return her to flight at Bruntingthorpe Aerodrome in Leicestershire. In 1999 Marshall of Cambridge Aerospace was appointed Engineering Authority for the restoration project. In December 2003, the Heritage Lottery Fund announced a grant of £2.7million for XH558's restoration. After extensive restoration work and tests, the Vulcan returned to the sky in October 2007.

However, the CAA Permit to Fly was withdrawn at the end of the 2015 calendar year, and so despite being technically able to fly, the aircraft was not permitted to fly. As a result, the Trust's business model changed, from flying a globally-unique heritage asset to having the aircraft as the still-serviceable centrepiece of a new visitor attraction and education facility. This change in the status of the asset has had an impact on its residual valuation. As at 31 October 2015, the Board valued the aircraft at £750,000. The nature of the asset means it is not possible to derive a market valuation. The trustees therefore valued the aircraft, based on their knowledge and experience of working in the aviation industry. As at 31 October 2017, the Board have reassessed their valuation of the aircraft and still consider it to be reasonable.

The aircraft has developed a loyal following of many thousands of supporters. She is and will remain the best preserved all-British four-engined jet aircraft anywhere in the world still capable of powered ground runs. XH558 has to be maintained in the current working state, albeit not flying, under the terms of the Trust's contract with the National Heritage Memorial Fund (NHMF) until 6 February 2085.

#### English Electric Canberra B.2 (WK163)

The English Electric Canberra aircraft was the Royal Air Force's first jet bomber, and entered service in January 1951. The design was very successful and the type was in service for more than 50 years. Many aircraft were sold around the world to the air forces of 17 countries. The Trust's example, Canberra WK163 (G-CTTS) captured the world altitude record of over 70,000 feet in August 1957, and is a very important national aviation heritage asset.

#### Supermarine Swift F4 (WK275)

The Supermarine Swift was a second generation British single seat jet fighter aircraft that was operated by the RAF. It was developed and manufactured by Supermarine during the 1940s and 1950s. The Swift featured many of the new jet age innovations, such as a swept wing. A Swift F.4 broke the world absolute speed record, reaching a speed of 737.7mph. Swift WK275 is on loan to the Trust from a private owner at no cost.



# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 16 Heritage assets (continued)

#### Five year financial summary of heritage asset transactions (group and charity)

|                              | 2017     | 2016          | 2015             | 2014     | 2013     |
|------------------------------|----------|---------------|------------------|----------|----------|
|                              | £        | £             | £                | £        | £        |
| <b>Purchases</b>             |          |               |                  |          |          |
| Vulcan                       | -        | -             | -                | -        | -        |
| Canberra                     | -        | 51,826        | -                | -        | -        |
|                              | <u>-</u> | <u>51,826</u> | <u>-</u>         | <u>-</u> | <u>-</u> |
| <b>Charge for impairment</b> |          |               |                  |          |          |
| Vulcan                       | -        | -             | 1,250,000        | -        | -        |
| Canberra                     | -        | -             | -                | -        | -        |
|                              | <u>-</u> | <u>-</u>      | <u>1,250,000</u> | <u>-</u> | <u>-</u> |

### 17 Fixed asset investments

#### (a) Group

The group holds no investments

#### (b) Charity

|                        | Shares in<br>group<br>undertakings<br>£ |
|------------------------|---|
| <b>Carrying amount</b> |   |
| At 1 November 2016     | 5                                       |
| At 31 October 2017     | <u>5</u>                                |

#### Holdings of more than 20%

The charity holds 100% of the ordinary share capital in the following companies registered in England and Wales:

| <b>Subsidiary undertakings</b>                            |       | <b>Principle Activities</b>   |
|---|-------|---|
| Vulcan to the Sky Enterprises Limited (04899710)          | VTSE  | That of selling merchandise through its website store and at air shows. |
| The Vulcan Operating Company Limited (03787161)           | TVOC  | That of engineering services.   |
| The Vulcan Property Management Company Limited (09924223) | TVPMC | That of property management services.                                   |
| The Vulcan Marketing Company Limited (09906368)           | TVMC  | That of marketing and retail services.                                  |

Where applicable, the subsidiaries covenant all available profits to Vulcan to the Sky Trust.

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

#### 17 Fixed asset investments (continued)

The trading results for the period and the aggregate amount of capital and reserves, as extracted from the financial statements of the subsidiary companies, are summarised below:

|  | TVOC     | TVMC     | TVPMC     | VTSE      | Total<br>2017 | Total<br>2016 |
|--|----------|----------|-----------|-----------|---------------|---------------|
|  | £        | £        | £         | £         | £             | £             |
| Turnover   | 79,000   | 75,682   | 222,969   | 307,170   | 684,821       | 1,274,131     |
| Cost of sales                                    | (241)    | (16,777) | (101,883) | (167,890) | (286,791)     | (638,968)     |
| Gross profit                                     | 78,759   | 58,905   | 121,086   | 139,280   | 398,030       | 635,163       |
| Administrative expenses                          | (79,120) | (42,861) | (103,713) | (187,703) | (413,397)     | (532,974)     |
| Profit/Loss before taxation                      | (361)    | 16,044   | 17,373    | (48,423)  | (15,367)      | 102,189       |
| Tax charge                                       | -        | -        | -         | (952)     | (952)         | (666)         |
| Profit/loss for the year                         | (361)    | 16,044   | 17,373    | (49,375)  | (16,319)      | 101,523       |
| <b>Assets and liabilities:</b>                   |          |          |           |           |               |               |
| Assets   | 27,739   | 16,831   | 26,501    | 255,431   | 326,502       | 411,537       |
| Liabilities                                      | (29,595) | (7,142)  | (15,730)  | (266,404) | (318,871)     | (387,587)     |
| Total net assets                                 | (1,856)  | 9,689    | 10,771    | (10,973)  | 7,631         | 23,950        |
| <b>Capital and reserves:</b>                     |          |          |           |           |               |               |
| Called up share capital                          | 2        | 1        | 1         | 1         | 5             | 5             |
| Profit and loss account                          | (1,858)  | 9,688    | 10,770    | (10,974)  | 7,626         | 23,945        |
|  | (1,856)  | 9,689    | 10,771    | (10,973)  | 7,631         | 23,950        |
| <b>Statement of movement on profit and loss:</b> |          |          |           |           |               |               |
| Balance at 1 November 2016                       | (1,497)  | (6,356)  | (6,603)   | 38,401    | 23,945        | 7,408         |
| Profit/Loss for the year                         | (361)    | 16,044   | 17,373    | (49,375)  | (16,319)      | 101,523       |
| Donations paid to parent charity                 | -        | -        | -         | -         | -             | (84,986)      |
| Balance at 31 October 2017                       | (1,858)  | 9,688    | 10,770    | (10,974)  | 7,626         | 23,945        |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

| <b>18 Financial instruments</b>  | <b>Group<br/>2017<br/>£</b> | <b>Charity<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Charity<br/>2016<br/>£</b> |
|--|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| <b>Carrying amount of financial assets</b>   |                             |                               |                             |                               |
| Debt instruments measured at amortised cost  | <u>76,353</u>               | <u>333,002</u>                | <u>83,858</u>               | <u>295,112</u>                |
| <b>Carrying amount of financial liabilities</b>  |                             |                               |                             |                               |
| Measured at amortised cost   | <u>156,030</u>              | <u>165,820</u>                | <u>214,036</u>              | <u>155,164</u>                |
| Financial assets measured at amortised cost comprise trade debtors, amounts due from subsidiary undertakings and other debtors.                  |                             |                               |                             |                               |
| Financial liabilities measured at amortised cost comprise trade creditors, amounts due to subsidiary undertakings, other creditors and accruals. |                             |                               |                             |                               |
| <b>19 Stock</b>  | <b>Group<br/>2017<br/>£</b> | <b>Charity<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Charity<br/>2016<br/>£</b> |
| Goods for resale   | <u>105,685</u>              | <u>-</u>                      | <u>149,145</u>              | <u>-</u>                      |
|  | <u>105,685</u>              | <u>-</u>                      | <u>149,145</u>              | <u>-</u>                      |
| <b>20 Debtors</b>  | <b>Group<br/>2017<br/>£</b> | <b>Charity<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Charity<br/>2016<br/>£</b> |
| Amounts falling due within one year:   |                             |                               |                             |                               |
| Trade debtors  | 40,640                      | 32,912                        | 43,874                      | 8,327                         |
| Amounts due from subsidiary undertakings   | -                           | 231,478                       | -                           | 240,462                       |
| Other debtors  | 35,713                      | 68,612                        | 39,984                      | 46,323                        |
| Prepayments and accrued income   | 58,062                      | 50,471                        | 41,412                      | 29,998                        |
|  | <u>134,415</u>              | <u>383,473</u>                | <u>125,270</u>              | <u>325,110</u>                |

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

| 21 | Creditors: Amounts falling due within one year | Group<br>2017<br>£ | Charity<br>2017<br>£ | Group<br>2016<br>£ | Charity<br>2016<br>£ |
|----|--|--------------------|----------------------|--------------------|----------------------|
|    | Trade creditors                                | 97,400             | 79,987               | 172,421            | 113,632              |
|    | Amounts due to subsidiary undertakings         | -                  | 28,570               | -                  | 15,567               |
|    | Other creditors                                | 2,737              | 1,370                | 1,368              | 1,060                |
|    | Accruals                                       | 55,893             | 55,893               | 40,247             | 24,905               |
|    | Deferred income                                | 15,988             | 15,988               | 36,708             | 36,708               |
|    | Taxes and social security costs                | 5,668              | 3,058                | 17,394             | 9,227                |
|    |  | <u>177,686</u>     | <u>184,866</u>       | <u>268,138</u>     | <u>201,099</u>       |

The aircraft is subject to a first charge by the Trustees of The National Heritage Memorial Fund (see note 25 for further details).

Deferred income represents income received in advance for hangar tours occurring in the next financial year.

| 22 | Provisions for liabilities                               | Group<br>2017<br>£ | Charity<br>2017<br>£ | Group<br>2016<br>£ | Charity<br>2016<br>£ |
|----|--|--------------------|----------------------|--------------------|----------------------|
|    | <b>Deferred tax liability</b>                            |                    |                      |                    |                      |
|    | Balance at 1 November 2016                               | 970                | -                    | 304                | -                    |
|    | Deferred taxation  | 952                | -                    | 666                | -                    |
|    | Balance at 31 October 2017                               | <u>1,922</u>       | <u>-</u>             | <u>970</u>         | <u>-</u>             |
|    | <b>The deferred tax liability is made up as follows:</b> |                    |                      |                    |                      |
|    | Accelerated capital allowances                           | <u>1,922</u>       | <u>-</u>             | <u>970</u>         | <u>-</u>             |

### 23 Restricted funds

The charity did not have any movement on restricted funds during the year.

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2017

### 24 Analysis of net assets between funds

|   | Unrestricted funds | Restricted funds | Total            |
|---|--------------------|------------------|------------------|
|   | £                  | £                | £                |
| <b>(a) Group</b>                                      |                    |                  |                  |
| Funds balances at 31 October 2017 are represented by: |                    |                  |                  |
| Tangible fixed assets                                 | 39,112             | -                | 39,112           |
| Heritage assets                                       | 780,398            | -                | 780,398          |
| Current assets  | 382,174            | -                | 382,174          |
| Creditors: amounts falling due within one year        | (177,686)          | -                | (177,686)        |
| Provision for liabilities                             | (1,922)            | -                | (1,922)          |
|   | <u>1,022,076</u>   | <u>-</u>         | <u>1,022,076</u> |
| <b>(b) Charity</b>                                    |                    |                  |                  |
| Funds balances at 31 October 2017 are represented by: |                    |                  |                  |
| Tangible fixed assets                                 | 24,778             | -                | 24,778           |
| Heritage assets                                       | 780,398            | -                | 780,398          |
| Investments   | 5                  | -                | 5                |
| Current assets  | 394,317            | -                | 394,317          |
| Creditors: amounts falling due within one year        | (184,866)          | -                | (184,866)        |
|   | <u>1,014,632</u>   | <u>-</u>         | <u>1,014,632</u> |

### 25 Contingent liabilities

In previous years the Trust received funding from the National Heritage Memorial Fund (NHMF) in the sum of £2,734,000. The Trust may be required to repay some or all of this grant in the event of the sale, disposal or mortgage charge of the plane without prior approval of the NHMF. The amount repayable is currently limited to £427,000.

The Trust will also require an interest in the plane or right to the exclusive use and possession of the aircraft to 6 February 2085.

### 26 Operating lease commitments

At 31 October 2017 the group and charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                            | Group<br>2017<br>£ | Charity<br>2017<br>£ | Group<br>2016<br>£ | Charity<br>2016<br>£ |
|----------------------------|--------------------|----------------------|--------------------|----------------------|
| Within one year            | 55,266             | 32,666               | 55,391             | 42,821               |
| Between two and five years | 57,000             | 57,000               | 76,000             | 76,000               |
|                            | <u>112,266</u>     | <u>89,666</u>        | <u>131,391</u>     | <u>118,821</u>       |

Lease payments totalling £99,801 (2016 – £270,797) have been recognised as an expense during the year.

# VULCAN TO THE SKY TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

#### 27 Ultimate controlling party

The charity is controlled by its trustees acting in accordance with the terms of the memorandum and articles of association.

#### 28 Related parties

The charity has taken advantage of the exemption given by FRS 102, from disclosing transactions with its wholly owned subsidiaries.

Purchase invoices for business services have been received from Greenways Business Services amounting to £8,696 (2016: £36,774). This is a partnership where the spouse of Michael Trotter, director of Vulcan to the Sky Enterprises Limited, is paid for accountancy services. The amount due to be paid at the year end amounts to £1,776 (2016: £2,379).

#### 29 Net cash flow from operating activities

|  | 2017<br>£       | 2016<br>£        |
|--|-----------------|------------------|
| Net income/(expenditure) for the year          | (14,104)        | (197,913)        |
| Investment income                              | (37)            | (160)            |
| Taxation                                       | 952             | 666              |
| Depreciation of heritage assets                | 10,714          | 10,714           |
| Depreciation of tangible assets                | 15,364          | 17,673           |
| (Gain)/Loss on disposal of tangible assets     | (3,578)         | 117              |
| Movements in working capital:                  |                 |                  |
| (Increase)/Decrease in stocks                  | 43,460          | (24,862)         |
| (Increase)/Decrease in debtors                 | (9,145)         | 68,821           |
| Increase/(Decrease) in creditors               | (90,452)        | (203,260)        |
| <b>Net cash flow from operating activities</b> | <b>(46,826)</b> | <b>(328,204)</b> |