

CHARITY NUMBER: 1058111
COMPANY NUMBER: 3203724

VULCAN RESTORATION TRUST
(COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
REFERENCE AND ADMINISTRATIVE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2006

COMPANY INFORMATION

Charity Registration Number: 1058111

Company Registration Number: 3203724

Charity Address and Registered Office: 39 Breakspears Drive
St Paul's Cray
Orpington
Kent
BR5 2RX

Company Secretary: Richard Clarkson

TRUSTEES AND DIRECTORS

The trustees of the charity are its directors for the purpose of company law. The trustees serving during the year and since the year end are set out below:

Mr Kevin Packard (Chairman)
Mr Richard Clarkson (Secretary)
Mr Keith Harvey (Treasurer)
Mr Trevor Bliss
Mr James Fletcher
Mr David Griffiths
Mr Paul Hartrup
Mr Colin King
Mr Matt Lawrence
Mr Donald Packard
Ms Linda Penn (resigned on 31 December 2006)
Mr Geoff Penn (resigned on 31 December 2006)
Mr Norman Skinner
Mr Andrew Vass
Mr Stephen Williams

PROFESSIONAL ADVISERS

Accountant: Paul Treby, FCA
9 Martins Paddock
West Cranmore
Shepton Mallet
Somerset
BA4 4QY

Bankers: National Westminster Bank plc
Southend-on-Sea Branch
PO Box 98
132 High Street
Southend-on-Sea
Essex
SS1 1BA

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

The trustees present their report and unaudited financial statements for the year ended 31 December 2006. The trustees' report also represents the directors' report which is required to be prepared under Section 234 of the Companies Act.

The reference and administrative information set out on pages 1 and 1(a) form part of this report.

The financial statements comply with current statutory requirements, the charity's governing document, and the Statement of Recommended Practice – "Accounting and Reporting by Charities" (SORP 2000).

STRUCTURE, GOVERNANCE AND MANAGEMENT

The company was constituted by the Memorandum and Articles of Association on the 24 May 1996. It was registered as a charity on the 18 September 1996.

The charity is limited by guarantee of its members to the extent of £1 each.

The trustees of the charity are a self appointed body. Service on the board is for three years. Retiring trustees can be re-elected. The charity does not employ any staff.

The board of directors met formally on eight occasions. The board is responsible for the overall management of the charity, takes policy decisions and ratifies all decisions made by its various sub-committees. As the charity does not employ any staff, the board is also responsible for the day-to-day running of the charity. The Engineering, Events and Stock & Stand sub-committees continued to meet regularly during the year. The charity did not carry out a review of its organisational structure as had been intended but will, instead, do this in 2007.

The Charity Commission's Review Visit Report received by the charity in February 2004 recommended amongst other things that the charity produce a new strategic plan. The *Vulcan Restoration Trust - Strategic Plan 2006-10* was formally adopted by the board in October 2005 and the first of four annual Action Plans was agreed in January 2006.

None of the trustees/directors received any remuneration or benefits from the charity. The charity does not have policies or processes for recruiting or inducting new trustees and had intended reviewing both these areas in 2006. This work was not carried out but will be done following the review of the charity's organisational structure in 2007.

Linda and Geoff Penn resigned as trustees on 31 December 2006. Linda had served as the charity's Membership Secretary for over five years before handing over the role to Marion Bune in February 2006. Geoff was the charity's Webmaster for many years, having set up the VRT website in the 1990s, and also acted as Prize Draw promoter on a number of occasions. The charity would like to thank Linda and Geoff for their enormous contribution to its work and wishes them both all the very best for the future.

Keith Harvey took over from Andy Vass as the charity's Treasurer on 1 January 2006 and has put in place a plan to improve the charity's financial and budgetary controls so that they meet the recommendations made in the Charity Commission's Review Visit Report.

It was with great sadness that the charity learned of the death of Raymond Baxter on 15 September. A fighter pilot during the Second World War, Raymond became well known as a broadcaster in the 1950s and had been an Honorary Member of the charity since its inception as the Vulcan Memorial Flight Supporters Club in the early 1990s.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

OBJECTIVES AND ACTIVITIES

The charitable objectives of the charity which represent its principal activity are:

1. To preserve and protect Avro Vulcan aircraft and other aircraft which may or have been in the past associated with the Avro Vulcan as historical objects for the benefit of the public and to demonstrate and display such aircraft at public events.
2. The advancement of education of the general public in items of historical interest together with the associated equipment thereto in particular in the field of aviation.

During the year the charity carried out maintenance and preservation work on former Royal Air Force Avro Vulcan B2 XL426 (G-VJET) at London Southend Airport, Essex, along with its associated ground equipment and buildings, organised a public open day to mark the 20th anniversary of XL426's arrival at Southend, gave educational talks about the aircraft to the public, organised members' meetings and attended various air displays and other public events.

The charity's income is generated by membership fees, entrance fees, appeals, donations, fund-raising draws and public displays. The charity's main headline objectives for the year (as defined in its Annual Plan) were as follows:

- (a) Improved governance: including revised organisational structure; new planning process; and trustee recruitment.
- (b) Improvement of engineering function: including relocation of the workshop and stores building to a new site (planning permission permitting); production of maintenance and cost plans; and development of a new policies and procedures manual.
- (c) Improved performance: including implementation of internet trading; forging of greater links with the local community; and review of the charity's membership package.
- (d) Improved resource management: including production of a marketing and fund raising plan; and development of budget plans and financial procedures.
- (e) Improved knowledge management: including management of documentation and archive materials.

Preservation and Protection of Avro Vulcan Aircraft

XL426 is listed by the British Aviation Preservation Council (BAPC) in its National Aviation Heritage Register as a 'benchmark' example of the type and is one of only three Vulcans in the world capable of being taxied under its own power. XL426, and its associated ground equipment, is owned by the charity.

The charity's Engineering Committee continued to set the formal programme of maintenance on XL426 and met monthly to review progress. Specific engineering responsibilities during 2006 were: Matt Lawrence (Chief Engineer, airframe, engines and avionics); Paul Hartrup (engineering administration); Martin White (ground equipment); and Steve Williams (buildings and infrastructure). Matt Lawrence took over responsibility for avionics from Mark Goodliffe when Mark moved away in April.

The charity's revised engine running programme, introduced in 2004, continued throughout 2006 with low power runs being carried out every six weeks and full power runs every six months. All four engines ran without any major difficulty during the year, although No 3 engine did experience an unplanned shutdown following the taxi-run at the public Open Day (see below). Taxi-runs were performed for maintenance purposes, as well as for public

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

OBJECTIVES AND ACTIVITIES (CONTINUED)

Preservation and Protection of Avro Vulcan Aircraft (continued)

display. The charity's programme of regular checks, coupled with numerous works of maintenance and repair on XL426 and its associated ground equipment, continued. The aircraft's electrical systems, including the flying control surfaces and the airborne auxiliary power plant (AAPP), were run weekly and faults rectified as and when they occurred.

During the spring and summer, work focussed on getting XL426 ready for the taxi-runs to be carried out at the members' event and public Open Day on consecutive weekends in August. This included work on the aircraft's wheels and braking system, intensification of the ongoing programme to keep the aircraft's powered flying control units serviceable, and work on the nose wheel steering system, amongst much else. Work during the latter part of the year included investigation the unplanned shutdown of No 3 engine. This was traced to contamination in the fuel system, which will require rectification during 2007.

The charity continued its ongoing programme of inspection of XL426's airframe for signs of corrosion. Where found, corrosion was removed in accordance with the Vulcan's Structural Repair Manual and the affected areas treated with chemicals. In the summer, a survey of the aircraft's rear spar and flying control surfaces was carried out by Keymed using IPLEX videoscope equipment. The images captured are now on file and will be used by the charity to help plan future maintenance and rectification programmes. The surface of the aircraft was washed during the year and treated with corrosion inhibiting fluids. The charity continued to run heaters and dehumidifiers in certain areas of the aircraft to inhibit corrosion. The canopy cover, delivered in 2005, has continued to be used to prevent water ingress into the cockpit. The new wheel covers, ordered in 2005, did not arrive and the charity will continue to press for their completion and delivery in 2007.

Work was ongoing throughout the year servicing and maintaining the charity's items of ground equipment, including its two air tugs, giraffe steps, ladders and servicing platforms. Problems with the Palouste air-start engine fixed to the smaller of the two air tugs were addressed during the summer and the Houchin ground power unit's engine was serviced. The nitrogen trolley and one of the charity's safety raisers were both fully overhauled and repainted during 2006. Maintenance of the charity's aircraft hardstanding was restricted to removal of weeds and filling cracks where necessary.

The charity continued to acquire spare parts and additional ground equipment whenever possible to assist its operation. Good relations were maintained with the Vulcan to the Sky Trust at Bruntingthorpe and components continued to be exchanged for the mutual benefit of both organisations. The charity also exchanged a number of components with the group that preserves Handley Page Victor XL231 based at the Yorkshire Air Museum, Elvington.

The charity is a member of the BAPC and was represented at meetings of the Council during the course of the year.

Members of the charity's Engineering Team attended a number of training courses held at the Imperial War Museum, Duxford, as part of the National Aviation Heritage Skills Initiative. This is a joint programme run by the BAPC and the Imperial War Museum, and is funded by the Heritage Lottery Fund. The team members found the courses extremely valuable and the programme will continue in 2007.

Four members of the Engineering Team also attended a First Aid training course run by St John Ambulance and qualified as Approved Persons. New First Aid boxes were purchased and installed in the charity's workshop, container and at the aircraft hardstanding.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

OBJECTIVES AND ACTIVITIES (CONTINUED)

Preservation and Protection of Avro Vulcan Aircraft (continued)

In April XL426 was subject to an attack by vandals who sprayed paint on the port side of the aircraft's fin; the damage covering an area extending upwards from the fuselage to a point above the tail-code. The paint was removed thanks to the prompt action of the charity's Chief Engineer who managed to remove it without it causing any long-term or noticeable damage to XL426's paint scheme. A youth was later charged with causing criminal damage but was subsequently acquitted. Although his fingerprints were found on the top of the aircraft's wing, magistrates ruled that this evidence was not sufficient to prove he was involved in the attack.

Demonstration and Display of Avro Vulcan Aircraft

The charity fulfilled its charitable objective to demonstrate and display Vulcan aircraft by holding a public Open Day on 12 August to mark the 20th anniversary of XL426's arrival at Southend. XL426 performed a high-speed taxi-run at this event and was also displayed by the charity in the static park on both days of the Southend Airport Open Weekend in May. An estimated 1500 people saw XL426 taxi at the public Open Day, with approximately 1200 visiting XL426's cockpit at open events during the course of the year. The charity also provided the commentary on both days of the Southend Airport Open Weekend.

In 2006 the management at Southend Airport required that all persons working airside, or escorting persons airside, must receive airside safety training. The charity designed its own course (which was approved by the airport's management) and this was delivered – and will continue to be delivered – where appropriate to all volunteers working for the charity. A general induction course was also designed and this, together with the airside training, will form part of an overall training programme to be developed in due course.

A set of new 'uniform' work overalls was purchased for the Engineering Team. Individual team members met the cost of the overalls themselves, whilst the charity paid for name patches and other patches. The aim of the new overalls is to improve the image of the charity at both its own and public events.

Education and Information

The charity continued to fulfil its educational objectives by giving talks and guided tours of XL426 to interested groups and societies, maintaining a website containing information about the Vulcan (www.avrovulcan.com), displaying and distributing information about the Vulcan to the public (including publishing its own magazine) and organising meetings for its members.

The charity published three issues of its magazine *Vulcan News*. These were distributed free to its members, with back issues sold to the public at air displays and other events. *Vulcan News* continued to include a mix of historical and contemporary articles – in 2006 it included articles about the scrapping of Vulcan XL391 at Blackpool Airport, the history of Vulcan XM594 (now preserved at Newark Air Museum), more on the role of the navigators in the Vulcan, the retirement of Vulcan XM573 to the Strategic Air Command Museum in Nebraska in 1982, plus news of the charity's activities at Southend Airport. The winter issue also included a specially extended article charting the history of XL426 since its arrival at Southend in 1986. Each issue continued to feature a full colour front and back cover. A colour centrespread was included in the winter issue, courtesy of T&C Printers, and the charity hopes this will continue in future issues.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

OBJECTIVES AND ACTIVITIES (CONTINUED)

Education and Information (continued)

Membership forms, incorporating a history of the Vulcan and Vulcan XL426, were distributed free of charge to the public at air displays and other events. Many of the stock items sold by VRT Enterprises Limited are educational in nature, including books, videos, DVDs, flown philatelic covers (with informational inserts about the Vulcan's history), posters and postcards. During 2006 VRT Enterprises Limited also sold over 200 copies of *Vulcan 607*, a new book by Rowland White describing the first *Black Buck* raid in the Falklands war. The book was officially launched in June but Rowland attended the Southend Airport Open Weekend in May to sign 'advance' copies on the charity's stand.

The charity continued to maintain and add to its collection of Vulcan photographs, slides and other memorabilia. The charity's secretary continued the lengthy task of transferring onto electronic media the extensive collection of Vulcan images owned by member Alan Todd. By the end of the year this work was estimated to be 80% complete, with the original slides and photographs beginning to be passed to Air Britain in accordance with Alan's wishes.

The number of VRT members meetings was reduced from five to four in 2006, including the charity's annual general meeting. The August meeting was held at Southend Airport itself, in a marquee located next to XL426's hardstanding. XL426 carried out a high-speed taxi at this event (held one week before the public Open Day) with Al Painter at the controls. Three of the meetings featured guest speakers: Brian Gardner and Hugh Prior recalled their parts in the Falklands *Black Buck* raids at the August and October meetings respectively, whilst Tony Blackman gave an interesting insight into his life as a test pilot at the December meeting. The charity (via VRT Enterprises Limited) provided refreshments and ran a licensed bar at each event. A full buffet was laid on at the August and December meetings, and hot meals were provided at the other two. The charity would like to pay particular thanks to Anne Gardiner, Lisa Williams and the other members of the Catering Team for all their efforts in 2006.

The email group for VRT Members established in 2003 to convey important news and updates without the delays inherent in postal mail shots, continued to operate in 2006.

ACHIEVEMENTS AND PERFORMANCE

Structure, Governance and Management

The charity continued to implement the recommendations of the Charity Commission Review Report by implementing its Strategic Plan for the period 2006-10 and by adopting an Action Plan for 2006. Although some of the targets and objectives set in the Action Plan were achieved in part by the year's end, the charity is aware that its organisational structure must be strengthened, in terms of both its financial and human resource, if it is to continue to develop, as well as continuing to meet its existing operational targets and commitments.

Preservation and Protection of Avro Vulcan Aircraft

The charity succeeded in maintaining Avro Vulcan XL426 as one of only three of the type capable of being taxied. As the aircraft gets older there is a need to improve maintenance to ensure serviceability. The charity took the decision to take the aircraft out of 'live service' following the August Open Day in order to carry out a major programme of restoration work. This Restoration Plan involves much work that cannot be done if XL426 is being maintained in high-speed taxiing condition. The planned work includes: refurbishment of the flying control surfaces; overhaul of the fuel system; repair of the port airbrakes; re-skinning of the airframe surface where necessary; overhaul of the radio and intercom; completion of the undercarriage refurbishment work begun in 2005; and replacement of the jet pipe end caps.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Preservation and Protection of Avro Vulcan Aircraft (continued)

The intensive 'one off' airframe survey planned for 2006 did not take place; its purpose being superseded by the Restoration Plan. The charity's current Engineering Team will need to be expanded if the restoration work is to be completed within a reasonable timescale and if an improved maintenance schedule is to be put in place in the long-term. Additional volunteers did come on board in 2006 and the charity will continue to look at ways of attracting more volunteers in future, both for the Engineering Team and in other areas of its work.

There was little progress with the project to relocate the charity's workshop and stores to a site next to its aircraft hardstanding. The charity must relocate as part of the airport's plans to build a new terminal close to the site of the charity's existing building. In the summer, Southend Airport informed the charity that planning permission for the new building (which the airport had assumed would go through as a formality under airport permitted works) had been turned down by Rochford District Council. Kevin Leigh, a member of the charity and a barrister, offered to mount a legal challenge to this decision on the airport's and charity's behalf. This was submitted to Rochford DC in the autumn but was subsequently refused.

In the light of this, the charity will seek a meeting with the airport's management in early 2007 to discuss how best to proceed with the relocation project. The airport development plans are currently behind schedule (the charity was originally told that it would have to leave its current building by the end of 2004), so there is no immediate threat to the charity's existing building. Contact was maintained with the Royal Engineers throughout 2006 and it is hoped their commitment to build a concrete base for the new building will continue.

Demonstration and Display of Avro Vulcan Aircraft

The charity's public Open Day was very successful from an organisational point of view. However, the poor weather reduced the size of the crowd and this, combined with the charge made by Southend Airport for holding the event (the first time such a charge had been levied) meant it only managed to break-even financially. The charity's was pleased to welcome Bruce Dickinson as its special guest at the Open Day. Bruce is a fully qualified airline pilot, as well as being the singer with heavy metal band *Iron Maiden*, and taxied XL426 along with Group Captain Bill Burnett RAF retired.

XL426 was also on static display over the two days of the London Southend Airport Open Weekend on 28 and 29 May. The charity's aim is to increase the number of occasions on which XL426 can be viewed by the general public. Although the aircraft is accessible to groups or persons on pre-arranged visits, regular opening is restricted due to its location 'live side' at Southend Airport. The charity met with the Heritage Lottery Fund (HLF) in 2006 to discuss possible funding and this issue was raised by the HLF officers. The charity will continue to look at ways in which access to XL426 can be improved and will review this aspect of its operation regularly.

Education and Information

The charity benefited from a grant obtained by Groundwork East of England from the East of England Development Agency aimed at increasing the awareness of people living in South Essex of their local and modern history. Groundwork worked with a number of local groups, including the charity, to develop a programme of talks to be given to community groups and other interested societies. With its share of the grant, the charity purchased a digital projector and additional display materials, and developed a new presentation on the history of the Vulcan and the restoration of XL426. The number of talks given by the charity actually fell in 2006 (two compared with seven in 2005) but the charity is hopeful that this number will increase again next year. Indeed, by the end of 2006, bookings had already been taken for six talks in 2007.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Education and Information (continued)

Groups (including school and scout groups) visited XL426 on a number of occasions. The contents of the charity's website were updated throughout the course of the year. It had been planned to redesign the website in 2006 but this work has been put back to 2007.

Membership

Marion Bune, very ably assisted by her husband Rob, took over as the charity's Membership Secretary on 1 February. The charity set up a new post office box address for membership correspondence and other general enquiries, as well as upgrading its membership database and purchasing a new printer for membership correspondence.

Membership subscriptions remained one of the charity's largest sources of income. The percentage renewal rate of 80% was up on the previous years (73%). The number of new members joining was 102 (2005: 74) and the charity ended the year with 826 members, 32 down on the previous year. This is the fifth year running that membership of the charity has fallen, although the number of new members joining saw a pleasing increase.

A new membership structure was agreed at the 2006 annual general meeting. A new family membership category was introduced together with a new category (which includes specific benefits) for corporate members.

Publicity

Kevin Packard was interviewed by BBC Essex in May for a feature on the Southend Airport Open Weekend. Kevin and Dave Griffiths also gave a 30 minute live interview to the same radio station in the week leading up to the charity's public Open Day in August. The appearance of Bruce Dickinson at the Open Day generated a great deal of coverage in local newspapers, with the Southend *Evening Echo* devoting a colour centrespread to a report of the event the week after.

The charity's stand attended eight different air displays in 2006, the same number as the previous year. For the first time since 1990, the charity did not attend the Royal International Air Tattoo (RIAT). In recent years RIAT has restricted the number of reduced-rate charity pitches available and the charity would have had to pay the full commercial rate in 2006. After considering the falling level of stock sales at recent Air Tattoo's, the charity took the decision not to attend. The charity was pleased to be invited to display at the *Wings & Things* event at Woodchurch in August and at the Canvey Island Transport Museum Open Day in October.

Courtesy of its Exhibition Manager, Alan Pride, the charity took delivery in August of two display flags featuring its new logo (adopted in 2005). These were used to good effect at the August Members Event and public Open Day, as well as at the Woodchurch and Shoreham air displays. VRT Enterprises did not add any new branded souvenirs to its range in 2006 but will be looking to do so in 2007, finances permitting. The board has not set a target date for the replacement of the old logo on the charity's publicity and other materials.

Fund-raising

The charity's annual Prize Draw remained an important source of income, although the overall profit level was markedly down on the previous year. The 2006 draw produced a profit of £1,576 (2005: £2,465), with 2,525 £1 tickets being sold (3,400 in 2005). Raffles and/or tombolas were held at each members' meeting (plus an auction at the Christmas meeting) and provided very valuable sources of extra income. Raffles and auctions of seats on the taxi-runs at the members' and public events in August raised over £800.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Fund-raising (continued)

VRT Enterprises Limited (Company Limited by Guarantee) is set up to operate the trading activities of the charity. The charity controls the operations of this company as the trustees of the charity are members of VRT Enterprises. VRT Enterprises reported a trading profit of £4,159 (2005: £745) for the 2006 financial year.

The VRT 200 Club (a private club, operating within the charity, with membership restricted to the charity's members) continued to raise funds for the charity. At the end of 2006, £9,341 was held in the 200 Club account (compared with £6,600 at the end of 2005). No funds from the 200 Club were 'drawn down' to support the charity's work during the year.

VRT Enterprises Limited

The charity is connected with VRT Enterprises Limited (Registered Company No: 3300759) by virtue of the fact that it has common directors. All of the profits of VRT Enterprises Limited are transferred to the trust under Gift Aid.

VRT Enterprises Limited carried out the sale of aviation goods and memorabilia via the charity's stand at air displays and other events. It also operated a mail order service for goods (with mail order lists included with each issue of *Vulcan News*) and operated bar and catering services at charity events. In recent years the charity has borne the cost of pitch fees and other related costs for attending air displays. However, in 2006 these costs were borne by VRT Enterprises Limited.

Risk Management

The directors continued to take steps to identify the major strategic and operational risks the charity faces and procedures have been put in place to mitigate these risks. The directors regularly review risk.

FINANCIAL REVIEW

Incoming resources for the year amounted to £43,490 (2005: £68,747). There were unrealised gains on investments of £360 (2005: £162). Total resources expended for the year were £46,870 (2005: £63,889).

The total of net incoming resources and unrealised gains/losses is the net movement in funds of £(3,020) (2005: £5,020).

The net assets of the charity as at 31 December 2006 were £38,211 (2005: £41,231). The charity's fixed assets comprise an Avro Vulcan B2 aircraft at London Southend Airport and its associated ground equipment and spare parts, three container stores and their fixtures and fittings, and a caravan. The net book value of these assets as at 31 December was £3,565 (2005: £4,594).

Under the memorandum and articles of association, the charity has the power to make any investment which the trustees see fit.

The trustees are satisfied with the financial position of the charity and would like to thank the many volunteers, companies and organisations who give their time and services to the charity.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

PLANS FOR FUTURE PERIODS

Strategic Plan 2006-10

The *Vulcan Restoration Trust – Strategic Plan 2006-10* sets out three high-level aims for the charity over the four-year period, namely; extending public awareness of the charity and its role in aircraft preservation, improving the charity's planning framework and the resources available to it, and developing the ways and means to measure the charity's effectiveness. The plan also identifies five priority areas for improvement: governance, performance (in relation to membership support, the use of technology and merchandising), the engineering function, and management of knowledge and resources.

Restoration Plan

The plan of the major restoration work to be carried out on XL426 was drawn-up in draft form in 2006 and will be finalised, with costs, in the early part of 2007. Fund raising will then begin to raise the money needed to complete this work. Although the charity will continue to run the aircraft's engines regularly whilst the restoration is in progress, and some low-speed taxiing may be possible, XL426 will not high-speed taxi until the work is complete. No time scale has been set for the completion of the work.

Exit Plan

In response to a request from the London Southend Airport Company in 2005, the charity began formulating an 'Exit Plan' to take into account its liabilities and contingencies should it ever be required to remove XL426 from the airport. The charity would like to stress that this plan is being produced solely to satisfy the airport that XL426's presence at Southend does not represent a potential liability for the airport company. The airport has no immediate intention to request that the aircraft be removed. The plan will be reviewed annually.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that year. In preparing those financial statements we are required to:-

- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable us to ensure that the financial statements comply with the Companies Act 1985. We are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the trustees on

and signed on their behalf by

..... Richard Clarkson
Secretary

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 Unrestricted Funds £	2005 Unrestricted Funds £
INCOMING RESOURCES (INCOME)			
Incoming Resources from			
Generated Funds:			
Voluntary Income	2	28,346	59,003
Activities for Generating Funds:			
Fund Raising Income		10,246	8,405
Investment Income	3	268	271
Gift Aid Receipt from Trading Subsidiary		4,159	745
Other Incoming Resources		471	323
		<hr/>	<hr/>
Total Incoming Resources		43,490	68,747
		<hr/>	<hr/>
RESOURCES EXPENDED (EXPENDITURE)			
Cost of Generating Funds:			
Fund-raising Expenses		5,660	5,557
Charitable Activities	4	41,210	58,332
		<hr/>	<hr/>
Total Resources Expended		46,870	63,889
		<hr/>	<hr/>
NET (OUTGOING)/INCOMING RESOURCES (EXPENDITURE)/INCOME			
	5	(3,380)	4,858
Unrealised Gains on Investment Assets		360	162
		<hr/>	<hr/>
NET MOVEMENT IN FUNDS FOR THE YEAR		(3,020)	5,020
FUND BALANCES BROUGHT FORWARD		41,231	36,211
		<hr/>	<hr/>
FUND BALANCES CARRIED FORWARD		38,211	41,231
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 5 to 8 form an integral part of these financial statements.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006		2005	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	8		3,565		4,594
Investments	9		2,845		2,485
			<hr/>		<hr/>
			6,410		7,079
CURRENT ASSETS					
Debtors	10	13,730		14,046	
Cash at Bank		18,101		21,556	
		<hr/>		<hr/>	
		31,831		35,602	
CREDITORS: Amounts Falling Due Within					
One Year:	11	(30)		(1,450)	
		<hr/>		<hr/>	
NET CURRENT ASSETS			31,801		34,152
			<hr/>		<hr/>
NET ASSETS			31,211		41,231
			<hr/> <hr/>		<hr/> <hr/>
FUNDS					
Unrestricted Funds	12		38,211		41,231
			<hr/> <hr/>		<hr/> <hr/>

The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the financial statements for the year by virtue of section 249A(1), and that no member or members have requested an audit pursuant to section 249B(2) of the Act.

The directors acknowledge their responsibilities for:

- (i) ensuring that the company keeps proper accounting records which comply with section 221 of the Act, and
- (ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET AS AT 31 DECEMBER 2006

Approved by the board of trustees on
behalf by:

and signed on their

.....
K PACKARD
Chairman

The notes on pages 5 to 8 form an integral part of these financial statements.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared in accordance with the historical cost convention (as modified for the revaluation of fixed asset investments), Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005), the Charities Act 1993, the Financial Reporting Standard for Smaller Entities (effective January 2005) and the Companies Act 1985. The principal accounting policies which have been adopted on a consistent basis within that convention are set out below.

The charity has not presented a cash flow statement in accordance with exemptions conferred by Financial Reporting Standard Number 1 (Revised 1996).

Incoming Resources

Income is recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

Donations are recognised on a receivable basis. Donations received for the general purposes of the charity are credited to Unrestricted Funds. Donations subject to specific wishes of the donors are carried to relevant Restricted Funds.

Resources Expended

Resources expended are accounted for in the period in which they are incurred. The irrecoverable element of VAT is included with the item of expense to which it relates.

Where an item of expenditure falls directly within one cost category it is attributed to that category only. Where expenditure involves more than one category, it is apportioned on a reasonable and justifiable basis.

Tangible Fixed Assets and Depreciation

Items of expenditure of a capital nature costing more than £500 are capitalised.

Depreciation of tangible fixed assets is calculated to write off the cost less any residual value over its estimated useful life:

Vulcan XL426	10% per annum on the straight line basis
Plant and Equipment	15% per annum on the reducing balance basis

Listed Investments

Investments are included in the balance sheet at their market value at the balance sheet date. Realised and unrealised gains and losses on investments are included in the Statement of Financial Activities in the year in which they arise. Investment income is credited to income on an accruals basis.

Unrestricted Funds

These are funds which can be used in accordance with the charitable objects at the discretion of the trustees and which have not been designated for other purposes.

Designated Funds

Designated funds are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects. The aim and use of each designated fund is set out in the notes to the financial statements.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

2. VOLUNTARY INCOME

	2006	2005
	£	£
Donations	12,876	30,992
Gift Aid	2,227	13,577
Subscriptions	13,243	14,434
	<hr/>	<hr/>
	28,346	59,003
	<hr/> <hr/>	<hr/> <hr/>

3. INVESTMENT INCOME

	2006	2005
	£	£
Dividends on UK Listed Securities	133	123
Interest Receivable and Similar Income	135	200
	<hr/>	<hr/>
	268	323
	<hr/> <hr/>	<hr/> <hr/>

4. ANALYSIS OF TOTAL RESOURCES EXPENDED

	£
Charitable Expenditure:	
To preserve and protect Avro Vulcan	27,388
Advancement and Education	13,822
	<hr/>
	41,210
	<hr/> <hr/>

5. NET OUTGOING RESOURCES

Net Incoming Resources is stated after charging:-

	2006	2005
	£	£
Depreciation of Tangible Fixed Assets	1,029	1,060
Dispersal Pan Rental	2,313	2,350
	<hr/>	<hr/>

6. TAX STATUS

The company, being a registered charity, is exempt from any taxation with the exemption of value added tax.

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

7. DIRECTORS

None of the directors who are the trustees received any remuneration or benefits from the company during the year (2005: None). Ten directors were reimbursed travel expenses totalling £11,423 during the year (2005: Six directors, total £20,373).

8. TANGIBLE FIXED ASSETS

	Vulcan XL426 £	Plant & Equipment £	Total £
COST			
As at 1 January 2006 and 31 December 2006	8,500	5,504	14,004
DEPRECIATION			
As at 1 January 2006	5,100	4,310	9,410
Charge for the Year	850	179	1,029
As at 31 December 2006	5,950	4,489	10,439
NET BOOK VALUE			
As at 31 December 2006	2,550	1,015	3,565
As at 31 December 2005	3,400	1,194	4,594

All tangible fixed assets are used in direct furtherance of the charity's objectives.

9. FIXED ASSET INVESTMENTS

	2006 £	2005 £
UK Listed Securities	2,845	2,485

The historic cost of UK listed securities at 31 December 2006 was £Nil (2005:£Nil).

10. DEBTORS

	2006 £	2005 £
Tax Reclaims Due	4,425	8,156
Amounts Due from Group Undertakings (see note 14)	9,305	5,890
	13,730	14,046

VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade Creditors	30	1,450
	30	1,450

12. ANALYSIS OF FUNDS

	Balance Brought Forward £	Incoming Resources £	Resources Expended £	Unrealised Gains/ (Losses) £	Balance Carried Forward £
Unrestricted Fund					
General Reserve	36,637	43,490	(45,841)	360	34,646
Designated Fund					
Tangible Fixed Assets Fund	4,594	-	(1,029)	-	3,565
	41,231	43,490	(46,870)	360	38,221
	41,231	43,490	(46,870)	360	38,221

The Tangible Fixed Asset Fund has been set up to assist in identifying those funds that are not free funds and it represents the net book value of tangible fixed assets.

13. COMPANY LIMITED BY GUARANTEE

The company is limited by guarantee of its members to the extent of £1 each. At the balance sheet date there were 858 members (2005: 858) of the company.

14. SUBSIDIARY UNDERTAKING

VRT Enterprises, Company Limited by Guarantee, (Registered in England, Company No: 3300759) is a subsidiary of the charity by virtue of the fact that the trustees of the charity are the members and directors of VRT Enterprises.

The results for the period ended 31 December 2006 was turnover of £17,215 (2005: £16,652) and a profit of £4,159 (2005: profit, £745). The reserves of VRT Enterprises at 31 December 2006 were £11,721 (2005: £11,721).

The accounts for VRT Enterprises have not been consolidated with the charity as the gross income of the group is below the relevant threshold under the Charities Act 1993.

Also at the balance sheet date an amount of £9,305 (2005: £5,890) was due to the charity in respect of Gift Aid from VRT Enterprises Limited and the outstanding loan.

**THE FOLLOWING PAGE DOES NOT FORM PART OF THE STATUTORY FINANCIAL
STATEMENTS**

ACCOUNTANT'S REPORT ON THE UNAUDITED ACCOUNTS OF
VULCAN RESTORATION TRUST (COMPANY LIMITED BY GUARANTEE)
FOR THE YEAR ENDED 31 DECEMBER 2006

You are responsible for the preparation of the financial statements for the year ended 31 December 2006 set out on pages 3 to 9 and you consider that the charity is exempt from audit and independent examination. In accordance with your instructions, I have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to me.

.....
PAUL TREBY, FCA

Dated: