



**TALL SHIPS  
YOUTH TRUST**

**Financial Statements  
Year Ended 28 February 2011**



**Charity Number 314229  
A Company Limited by Guarantee  
Registered in England No 567460**

# **TALL SHIPS YOUTH TRUST**

## **ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 28 FEBRUARY 2011**

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### **Highlights of the Year to 28 February 2011**

#### **Charitable Mission – Young People**

- ◆ Number of young people increased by 9% on previous year, 17% on two years ago
- ◆ Scope and diversity of work with young people expanded eg Special Needs voyages
- ◆ Proportion of disadvantaged/disabled young people increased from 58% to 73%
- ◆ Trust chosen for pilot of government's new training and development initiative for 16 year olds – National Citizens Service

#### **Fleet Reconfiguration Completed**

- ◆ Brig Prince William sold in September 2010 to Pakistan Navy for naval cadet training
- ◆ Balance sheet significantly strengthened
- ◆ The sale completed the reconfiguration of the fleet providing
  - greater variety of developmental experiences for young people
  - flexibility to expand and contract supply in line with seasonal demand
  - ability to expand scale and scope of work with young people
  - greater ability to manage costs down

#### **Fleet Operations**

- ◆ Mixed fleet of six vessels operated 12 months of the year – one 60m square rigged Brig, four 22m ocean going Challenger Yachts and, new for 2010/11, one 19m Catamaran
- ◆ Tall Ships Academy (training programme for fleet volunteers) developed to include Challengers and advanced training programmes for more experienced volunteers

#### **Volunteers, Supporters**

- ◆ 2,500 volunteers and regular supporters supported the Trust's activities

#### **Financial Performance**

- ◆ Net current liabilities (excl endowments) reduced by £2,625K to £131K
- ◆ Voyage income +11% on the previous year, despite economic downturn
- ◆ Fleet operational costs down year on year due to Challenger Fleet costs 30% lower than Brig, combined with careful cost management (excluding work carried forward from 2009/10)
- ◆ Underlying business model of mixed fleet working well

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**TALL SHIPS YOUTH TRUST**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2011**

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# TALL SHIPS YOUTH TRUST

## REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2011

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Tall Ships Youth Trust is a company limited by guarantee and a registered charity

<b>Charity Number</b>	314229
<b>Company Number</b>	567460
<b>Principal Office</b>	2A The Hard, Portsmouth, PO1 3PT
<b>Patron</b>	His Royal Highness The Duke of York KG KCVO, ADC
<b>Vice-Patrons</b>	Mr M P Aiken Admiral the Lord Boyce KG, GCB OBE DL The Right Honourable Lord Butler of Brockwell KG GCB CVO Mr I A Carruthers Mr D de Laszlo Mr D Darbyshire Mr M Dixon (appointed 16 November 2010) Mr M A C Drummond OBE DL JP Mr M Grade CBE Lord Greenway Vice Admiral M Gretton CB CVO MA Mr J Hardie Mr M Jay CBE DL (appointed 28 February 2011) Mr R Morley Mr G W Pritchard-Gordon Mr A C Salvesen Mr M Slade Mr B A Stewart Mr I Ventham Mr T Vokos Mrs C Williams
<b>Trustees</b>	Mr T P Allen Mr M Broughton Mr P Coleman Mr W D Cormie MA CA Mr R Evans (appointed 5 October 2010) Mr W M Garnett Mr M Jay CBE DL (stood down 31 December 2010) Mr J Lennox Mr M Le May (appointed 25 May 2010) Mr O Michaelson Sir Michael Moore, KBE LVO (appointed 2 March 2010) Mr S J Roberts Mr D Tydeman (appointed 2 March 2010) Surgeon Lt C Wake RN

# **TALL SHIPS YOUTH TRUST**

## **REFERENCE AND ADMINISTRATIVE DETAILS**

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<b>Chief Executive</b>	Mrs C Law
<b>Company Secretary</b>	Mr P Taylor
<b>Auditors</b>	Grant Thornton UK LLP No 1 Dorset Street Southampton SO15 2DP
<b>Solicitors</b>	Blake Lapthorn Tarlo Lyons Harbour Court Compass Road North Harbour Portsmouth PO6 4ST
<b>Investment Managers</b>	Brewin Dolphin Investment Management PO Box No 8 7 Drumsheugh Gardens Edinburgh EH3 7QH
<b>Bankers</b>	Clydesdale Bank plc Lloyds TSB Bank plc

# **TALL SHIPS YOUTH TRUST**

## **REPORT OF THE TRUSTEES**

**FOR THE YEAR ENDED 28 FEBRUARY 2011**

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### **Objects and Powers**

The Tall Ships Youth Trust is dedicated to the personal development of young people through the crewing of Tall Ships. Its principal activities are to provide opportunities for young people to go to sea on the Trust's ocean going sail training vessels and to promote sail training internationally.

### **Review of Activities**

The Trust had another busy year in 2010/11 with its fleet of one 493 gross ton square-rigged Brig, four 38 gross ton ocean going sail training yachts and one 45 gross ton catamaran providing voyages for young people 12 months of the year.

### **Strategic Review - Purpose, Vision and Values**

As part of a Strategic Review led by the Trustees and Chief Executive, the Trust has established a Statement of Purpose, Vision and Values. This is reviewed annually.

In the latest review, the Trustees reaffirmed the Trust's Purpose as "the personal development of young people through the crewing of ocean going vessels" delivering this by -

- Focusing largely on young people aged 12 to 25
- Encouraging diversity and a mix of young people
- Recruiting predominantly from the UK but enabling a multi-national mix

We have agreed that our vision is for the Trust "to be the leader in youth development through the Tall Ships experience" and we have established a set of underlying values. In all we do and say, we will, for the public benefit -

- Support young people to develop their potential
- Seek the highest standards in our work with young people
- Manage professionally and efficiently
- Value and respect our crews and staff
- Appropriately harness the enthusiasm of our volunteers and supporters
- Manage our vessels safely and to the highest standards
- Communicate effectively and openly

In reviewing the Trust's aims, objectives and planned activities the Trustees have complied with the duty in section 4 of the Charities Act 2006 to have due regard to the public benefit guidance published by the Charity Commission.

### **Over Fifty Years of Achievement**

The Tall Ships Youth Trust, formerly known as The Sail Training Association, is the world's oldest and largest sail training charity dedicated to the Personal Development of Young People aged 12 to 25. Formed in 1956, over 95,000 trainees have sailed 1.8 million nautical miles on our fleet of vessels – currently one 60m Brig Stavros S Niarchos, four 22m ocean going Challenger yachts, one 19m Catamaran and, before them, one 60m brig Prince William and two 37m schooners Malcolm Miller and Sir Winston Churchill.

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### **Recent Developments and Financial Position**

We have achieved some significant financial successes since 2000. These include building two Brigs on time, on budget, funding the £11M cost (except £61K) and driving up income raised from £1.3M to £2.3M per annum. These successes have been achieved with 30% fewer Head Office staff than our nearest comparison charity.

Meanwhile, costs have risen in line with inflation and our vessels must be maintained to the highest safety standards against a background of increasingly stringent legislation. In the face of this growing financial pressure, over the last few years we have implemented numerous cost cutting measures including staff redundancies and explored other options such as vessel lay-up and merger with Jubilee Sailing Trust. Nevertheless, by 2006/07 we were operating at a deficit before depreciation and exceptional items. With no cash reserves, this financial gap was covered by borrowing so that our debts by early 2007 were £900K.

In order to improve financial stability as well as to diversify opportunities for young people, we took the difficult decision in 2007 to sell Prince William, one of our Brigs, to provide funds to buy four 22m ex-round-the-world Challenger yachts. Together, these provide the same number of trainee berths as a Brig as well as the same income earning potential. However, we can flex the number of Challengers operating as demand varies from season to season and therefore keep costs to a minimum. We are also able to split the Challenger Fleet in order to chase several different markets and new income streams at the same time.

The decision to implement the change of fleet was taken by the Trust's Council in May 2007 on the basis of a detailed Feasibility Report. The first two Challengers were delivered in October 2007, becoming fully operational in January 2008. The second two were delivered in January 2008, becoming fully operational in April 2008. These huge operational changes were delivered without any extra staff and we thank all of those who contributed to this significant business restructuring in such a short timeframe and without any additional resources.

Between May and December 2007, we raised £1.26M from our supporters to implement the Challenger initiative. A development loan of £200K was received from the Charities Aid Foundation and bridging finance of £2.2M was secured from Clydesdale Bank plc pending the sale of Prince William. Following extended negotiations with the Pakistan Navy, which began in 2009, a sale was completed in September 2010, as a result of which we received sufficient funds to repay these debts and to provide more bursaries to young people who otherwise would not have been able to sail with us.

With the Challengers fully operational, the berths selling well and the new fundraising campaign gathering momentum (see later section), our P&L and cashflow forecasts to February 2012 show a significant improvement in operating performance on ordinary activities.

In summary, the Trust's underlying business model, based on the new mixed fleet, is working.

# **TALL SHIPS YOUTH TRUST**

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### **Charitable Mission – Young People**

The development of young people is central to everything we do and we are proud of the Trust's excellent reputation for providing good quality services to young people. Whilst the Brigs and the Challengers are very different settings for youth development, we operate both to the same high standards. The same policies and practices apply to both eg the same safeguarding and child protection policy, code of conduct, drug and alcohol policy, the same rigorous recruitment and screening of prospective volunteers. Priority in the voyage schedule is always given to youth voyages and giving more young people the opportunity to go to sea.

Our target for 2010/11 was to increase the number of young people sailing with us by 5%. In fact, we achieved a 9% increase. We did this by expanding the scope and diversity of our work with young people in a number of ways.

Firstly, we developed more partnerships with other youth organisations across the UK, particularly those working with disadvantaged and disabled young people. These included schools, community groups, youth organisations representing young people not in employment, education or training (NEET) or those from black, asian and minority ethnic (BAME) backgrounds, youth offending teams and local authorities. Arrangements ranged from informal partnerships to formal contracts supported by detailed service level agreements.

We were able to develop several new initiatives in 2010/11 as a result of new partnerships forged during the year. These included voyages for young people with a variety of special needs such as learning difficulties, ADHD, motor co-ordination problems, visual and hearing impairments and social interaction problems. We also launched Sail for Heroes®, a new initiative to support young men and women returning injured from the war zones, in conjunction with representatives from the British Limbless Ex Serviceman's Association.

Secondly, the new 19m catamaran, generously donated to the Trust in 2009/10, proved an excellent, stable platform for sail training, enabling us to further extend our work with young people with disabilities in 2010/11 and to offer voyages to 12 and 13 year olds, so reducing the entry age by two years.

Thirdly, we further developed and promoted the Trust's Bursary Scheme. This uses generously donated funds to offer financial assistance to young people who otherwise would not be able to afford a voyage. A simple application process, which can be verbal for those who have reading or writing difficulties, helps to assess the level of support each young person needs as they prepare for their voyage.

As a result of these various new initiatives, in addition to the total number of young people increasing by 9% year on year, the proportion of young people who were disadvantaged/disabled increased significantly from 58% (43% disadvantaged, 15% disabled) to 73% (57% disadvantaged, 16% disabled).

There is no question that the arrival of the Challengers in 2008 has added a valuable new dimension to our youth work. They are providing us with more opportunities to work with disabled and challenging young people because of their smaller setting and 1:2 staff:child ratio (compared to the Brig's 1:3 ratio). This provides a more focussed, intensive environment for youth work.



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### **Charitable Mission – Young People (continued)**

The Challengers also support our strategy of engaging with more youth organisations. With the new emphasis on education outside the classroom and co-curriculum learning, there is an increasing demand from schools and youth groups for outdoor activities to be dedicated to their group of 10-20 young people. The Challengers, each taking 12 young people, have encouraged many organisations that regularly send their young people on Brig voyages to book additional voyages on the Challengers.

Reflecting the move to a broader-based curriculum, the government announced the launch of a new training and development programme in 2010/11 – the National Citizens Service. Its aim is to give all 16 year olds finishing Year 11 a sense of purpose, optimism and belonging. The programme uses a three week schedule of activities and tasks, including a week away from home at a residential outdoor adventure centre, followed by 30 hours of part-time activities in their local communities. Summer 2011 will see 11,000 young people taking part in one of 12 pilots around the UK, including a consortium in the north east which will be using the Trust's vessels for the residential experience. We understand that the Trust is the only UK sail trainer involved in the 2011 pilot. A further pilot is planned for summer 2012 before the scheme is fully rolled out across the UK in 2013.

Voyages have a significant impact on young people's lives. These include -

- Increased self esteem and self confidence
- Healthier, more active lifestyle
- Improved life skills
- Improved citizenship skills

Externally validated, statistical evaluations of outcomes provide empirical evidence of improvements in life skills -

- Over 95% enjoyed the voyage and had fun
- Over 95% experienced increased confidence and self-esteem
- Over 90% were better team players
- Over 85% gained life experience
- Over 80% were better communicators
- Over 75% developed greater self-reliance
- Over 70% improved their problem solving skills

These impacts are well recognised and valued by education and youth work professionals. As Loughborough University concluded at the end of their three year long research project "The voyages had an unanticipated impact on the culture of some of the schools, becoming an established and valued part of their educational calendar." They concluded that "There is strong evidence that participation in the Trust's voyages influences young people's general life aspirations."

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### **Charitable Mission – Young People (continued)**

A total of 1,612 young people sailed 10,094 voyage nights with the Trust in 2010/11, an increase of 9% on the previous year. This represents approximately 20% of the UK youth sail training market. In terms of other demographic breakdowns, the male/female split was 62/38% with 14% of young people being non-white and 4% non-UK.

Continuing the trend of the last few years, the number of young adults (those aged 18 to 25) who chose to sail on 18+ voyages rather than on 16-25 year old voyages remained high at 20%. This meant that 22% of the berths on 18+ voyages were filled with young people. Their feedback indicates that the inter-generational dimension of these voyages is proving popular with the more diverse range of life experiences giving young people added benefit. As Portsmouth City Council, which has funded intergenerational voyages, said "The voyage has achieved its aims and exceeded expectations. People have become much more positive about other generations."

Key objectives for the Trust's work with young people in 2011/12 include -

- Increasing the number of young people sailing by 5%
- Extending the Trust's work to involve more disadvantaged/disabled young people
- Developing partnerships with more third parties working with these young people
- Delivering the residential experience for the National Citizens Service Pilot

In summary, 2010/11 was another successful year for the Trust in delivering its core mission. We would like to thank all of the young people who sailed with us as well as those who helped to support the cost of their voyage.

### **Tall Ships Academy**

The Trust's training programme for young people is endorsed by the Royal Yachting Association (RYA) and Maritime and Coastguard Agency (MCA) and operates under the banner of the "Tall Ships Academy".

A world first, the programme gives young people a path from their first experience as Voyage Crew to volunteering on the Trust's vessels and, for those who wish it, onto a career at sea.

Some 20% of young people are recommended at the end of their voyage to come back as Volunteer Crew and follow the training programme.

The objectives of the Tall Ships Academy and its training programme are -

- To offer young people more options for enhancing their skills and qualifications
- To add value and enjoyment to the sailing experience of all of our Volunteer Crew by increasing their knowledge, skills and confidence
- To provide better support to our Salaried Crew by introducing a record of experience for each individual as well as clear training goals
- To maintain the Trust's reputation for "best practice"
- To be in advance of legislative changes which are expected to require documentary evidence of safety and familiarisation training on board

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#### **Tall Ships Academy (continued)**

The programme formalises the existing on board training for our Volunteer Crew - working with young people, vessel familiarisation and safety training – and adds to it the syllabus of the RYA Watch Leader Certificate and the MCA Yacht Rating Certificate. In total, there are 11 modules to be completed. Assessment uses a Training Record Log Book which tracks competencies, defined in detail in an Instruction Manual.

The Academy programme is well established on the Brigs so our priority for 2010/11 was to develop a comparable training programme for the Challengers. We developed the existing Training Record Log Book to incorporate the Challengers and drafted a new Instruction Manual for the Challengers (similar to that for the Brigs and cross referenced to the updated Training Record Log Book).

The Academy's objectives for 2011/12 include -

- Producing a final draft of the combined Brig/Challenger Training Record Book
- Producing a final draft of the new Instruction Manual for the Challengers
- Implementing the Tall Ships Academy Programme on the Challengers

#### **Stavros S Niarchos, Prince William, Challengers, Cat**

Stavros S Niarchos began the 2010/11 year in the Canaries and Azores with two months of multi-national youth voyages bringing together a multi-ethnic mix of young people. Stavros returned to the UK during late spring for an intensive programme of youth voyages before taking centre stage at the Captain Scott Centenary Celebrations in Cardiff in June, followed by voyages funded by Emmanuel Schools and HSBC Education Trust. During the summer months Stavros took part once again in the European Tall Ship Races visiting Aalborg and Kristiansand before returning to the UK visiting Dartmouth, Newcastle, London and Brixham. In September, with the very generous support of the Stavros Foundation, Stavros celebrated its 10th anniversary with a Voyage of Understanding from Southampton to London with 24 young people from the UK and 24 young people from Greece, culminating with a 10<sup>th</sup> Anniversary Reception in London for the young people and Trust supporters.

Meanwhile, whilst one of the Challengers was completing its winter voyage schedule in the UK, another began the 2010/11 year in the Canaries, sailing to the Azores before returning to the join the rest of the fleet. By Easter, all four Challengers were fully deployed on youth voyages followed by intergenerational voyages supported by Portsmouth City Council and a special Rank Foundation funded voyage for their young leaders/trainers. A particular highlight for the whole fleet was a Special Needs Open Day in May which attracted 200 young people from 13 schools across the UK and helped to ensure a good level of occupancy throughout the summer. During June and August, sail training introductory weeks for young people were sponsored by Thames Valley Police and the Foundation for the Sports and the Arts and two of our yachts also took part in the European Tall Ship Races. The Challengers' young crews called into locations such as Brixham, Swansea, Weymouth and Guernsey and hundreds of youngsters gained their RYA Start Yachting and Competent Crew Certificates.

The Catamaran, generously donated by a Trust support the previous year, started its inaugural voyages in April. Based in and around the Solent, voyages included introductions to sailing for 12 and 13 year olds and voyages dedicated to young people with special needs.

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#### **Stavros S Niarchos, Prince William, Challengers, Cat (continued)**

Despite the world-wide recession and difficult trading conditions, various new sales and marketing initiatives delivered strong bookings for the Brig, the Challengers and the Cat in 2010/11 from both existing and new customers

As a result, and bucking the trend experienced by other sail trainers, the number of individuals sailing with the Trust was up 12% on the previous years and voyage income up 11%

With a view to constantly improving customer care, and building on the Customer Care Charter already introduced, we developed new "welcome on board" routines which have received very positive feedback from voyage crew. A Volunteer Crew Feedback Form was also introduced inviting comments on all aspects of the voyages, with answers collated to respond to the frequently asked questions

Sales and marketing priorities for 2011/12 include exploring new voyage products and building the market for them, introducing new sales distribution channels, developing special youth voyages with new partners such as Lloyds TSB Bank and new initiatives such as the government's 2011 National Citizens Service Pilot

The Trust took the decision to outsource ships' management to Northern Marine Management Limited (NMM) in 2000 because it was felt that this would be the most cost effective way of providing 24/7 operational and safety management of our vessels. Experience since then has proved this to be the right decision. The partnership with NMM has worked well with Trust and NMM staff focussed on their respective areas of expertise

The current split of tasks/responsibilities between NMM and the Trust is -

- NMM has responsibility for all operational and technical issues for the Brig, responsibility for emergency response co-ordination for the Brig and Challengers and is the employer of all Salaried Crew (Brig, Challengers and Cat)
- The Trust has responsibility for the operational and technical issues for the Challengers and Cat, rostering and travel arrangement for all crew (Brig, Challengers and Cat) and all aspects of managing the Volunteer Crew (Brig, Challengers and Cat)

We thank the dedicated team of people at NMM who continue to provide our vessels and crews with such a high standard of support

The Trust has a reputation for good cost management and we were pleased that in 2010/11 we managed to keep the fleet's operating costs to a small £77K increase on the previous year. This was a very good achievement given that £47K of the increase was related to the Cat which was new to the fleet in 2010/11

We also managed to reduce Stavros' operating costs by £18K on 2009/10 despite having to spend £41K more on repairs and maintenance than the previous year. This was largely work carried over from Stavros' 10 year major docking at the end of 2009/10. It included overhauling the generator, a new starboard anchor and cable, repairing the rescue boat, a new life raft and, due to new MCA requirements, producing a revised stability curve and fireproofing all of the soft furnishings. However, costs were down in other areas. In particular, we continue to drive down the costs of Salaried Crew travel and we had a full year's benefit of the dual rank manning structure implemented during 2009/10

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#### **Stavros S Niarchos, Prince William, Challengers, Cat (continued)**

The Challenger Fleet's operating costs were £48K higher than in 2009/10. Of this, £25K was repair and maintenance work carried over from the previous year. There were two lift and scrubs in 2010/11 (none in 2009/10) costing £10K and additional operating costs due to increased Challenger Fleet voyage activity in 2010/11.

Our aim for 2011/12 is to keep the fleet's operating costs as low as possible. This will be a challenge. For example, charity discounts are becoming harder to negotiate with suppliers, increasing security concerns are reflected in increasing port charges and the 70% increase in fuel prices compared to this time last year is increasing the cost of powering the generators. To help address these cost increases, we have started a number of projects investigating, for example, how to reduce the cost of port visits and how to reduce fuel consumption.

Projections for 2011/12 indicate that the operating costs of the Challenger Fleet will continue to be 30% lower than those of the Brig they replaced. This, together with the additional income we expect to generate from developing our markets in 2011/12 and beyond, will significantly increase the Trust's overall financial stability.

We thank our Salaried Crew, Volunteer Crew and our Head Office teams for their continued hard work, support and enthusiasm. We also thank the many organisations and individuals who have helped us to recruit and fund our young people. A special thank you goes to Mike Aiken, James Cowderoy and Giles Pritchard-Gordon who each bought a Challenger for the Trust's use during the fleet reconfiguration.

The Trust decided in 2007/08 to sell one of its Brigs as part of a reconfiguration of the fleet. Prince William was duly laid up ready for sale at the end of 2007/08, moving firstly to Portsmouth's Naval Dockyard and then Dunston's Shipyard in Hull.

Over 85 enquiries were received, including many from private individuals and commercial companies. The Trustees were keen that the Brig should go to an organisation that would use it for training young people and were delighted when, in June 2009, the Pakistan Navy said they were looking for a naval cadet training ship. The subsequent negotiations lasted many months and involved a very rigorous tendering process, during which the Pakistan Navy considered several other ships. The contract was signed in July 2010 and the re-activation of the Prince William, including a full dry-docking, began in Hull. The sale was completed on 20 September 2010, followed three days later by the Pakistan Navy's moving commissioning ceremony, during which they welcomed their new ship, renamed Rah Naward (Swift Mover in English). Rah Naward sailed from Hull on 27 September arriving after 6,800 miles in Karachi on 6 December 2010. We wish the Pakistan Navy many years of successful cadet training with the ship.

#### **Promoting the Trust**

During 2010/11, we continued our strategy of focussed PR and this proved very successful in promoting the Trust's work, leading to extensive coverage in national and regional newspapers, television and radio.

Website traffic continues to be very high with 10,000 to 50,000 unique visitors a month depending on the time of year. The full redevelopment of the website planned for 2010/11 was

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### **Promoting the Trust (continued)**

postponed because of funding constraints but a new home page has video clips and links to YouTube. Use of the on line booking facility continues to grow with over 75% of bookings coming in via this route. Work has now resumed on the new website which will be launched before summer 2011.

Meanwhile, our e-newsletter enables us to reach our target market and supporter base on a more regular basis at minimal cost and we continue to evolve the voyage brochures and other marketing material as selling tools.

The Trust held its second Charity Golf Day in September 2010 supported by donors, volunteers, staff, crew and numerous suppliers who also brought along their own clients. Prizes were awarded for the top three individuals, best team, nearest the pin, longest drive and putting competition. The event raised over £3K for young people's bursaries for disadvantaged young people. The 2011 event will take place in October.

The Trust's sixth Charity Yacht Regatta took place in November 2010, bringing together Trust supporters and volunteers from around the UK and helping to raise awareness of the Trust in the yachting world. Over 150 people took part in a fiercely contested "round the cans" Solent racing, finishing with a dinner dance. The event raised over £3K for young people's bursaries. The 2011 event will again take place in November.

2011 sees the trial of some new Regional Events. Based on our already successful Port Events model, these are aimed at promoting the Trust's work, re-energising our existing local supporters, donors and recruiters of young people and also at attracting new ones. Regional Events are planned for several ports including Liverpool (May), Greenock (May), Newcastle (July), and Barry/Cardiff (September). There will be additional Open Day Events in Cardiff (May), Great Yarmouth (June) and Blyth (June).

### **Day to Day Fundraising Activity**

The Trust's day to day fundraising activity remains focussed on increasing funds to subsidise more young people's berths. Targeting grant making trusts proved successful in 2010/11, generating 79% of the day to day fundraising income. A number of different "asks" were used, individually tailored to the criteria set by each trust. The new initiatives such as voyages for young people with special needs and Sail for Heroes® meant that we were able to apply to many more trusts than before. As a result, and despite the difficult financial environment which reduced the value of and therefore the income from trusts' investments, income from trusts was only slightly down on the previous year.

The remaining 21% of the day to day fundraising income was split between individual donations, membership subscriptions and cash appeals. We thank all of those who supported the Trust's day to day fundraising activities over the year despite the credit crunch.

Legacies were another very welcome and valuable source of income in 2010/11.

We thank all of those who supported the Trust's day to day fundraising activities over the year.

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#### **Trustees' Fundraising Campaign – Young People First**

With cash reserves depleted following the implementation of the Challenger initiative, the Trustees launched a new fundraising campaign in 2009/10 to raise much needed funds to provide bursaries for disadvantaged young people. The target is £5M over the next five years.

The campaign uses a "major gift" technique. This relies on an individual approaching another individual who is personally known to them and who has significant personal wealth themselves or access to it. As such, it relies as much on the personal relationship between the asker and the potential donor as the cause for which the donation is given.

A Deck Reception was held in July and by the end of 2010/11 the Campaign had raised £716K in donations and pledges. Of this, £485K was in cash and £231K in goods/services in kind including the very generously donated Catamaran, recognised in the 2009/10 accounts as a donation of £150K.

The achievement of nearly £3/4 million in donations and pledges reflects the strength and appeal of our work to potential donors despite the financial downturn.

To maintain the momentum already built up, a new Young People First Campaign Working Group was formed at the end of 2010/11. Plans for 2011/12 include a number of activities to increase the high level supporter base such as a Deck Reception in July.

#### **Volunteers**

The Tall Ships Youth Trust has thousands of individuals who dedicate themselves to the service of the Trust and its mission for young people. Some are involved in our volunteer support groups (Branches). Others offer their services on our vessels or help out as and when they can at fundraising events, exhibitions and port events. Many are involved in several different activities for the Trust. We estimate that the Trust has some 2,500 individuals currently giving freely and regularly of their time. We are very grateful to them all.

#### **Structure, Governance and Management**

The Tall Ships Youth Trust is a charitable company limited by guarantee. The governing documents are its Memorandum and Articles of Association. For the purposes of Company Law, the Trustees listed on page 1, all of whom served throughout the year except as otherwise stated, are the directors of the company and are elected by resolution of the company in a general meeting.

The company is administered under the control of the Trustees, sitting as the Council of Management, who have the general control of and responsibility for the management of the Trust and its subsidiary companies. The trading operations of the Trust are devolved to its wholly owned subsidiary, Tall Ships Limited. As well as appointing Directors to the subsidiary companies, the Council establishes other committees to deal with different aspects of the Trust's work as necessary.

The day-to-day management of the Trust is delegated to the Chief Executive. We congratulate and thank our small but extremely professional, committed and hard working team at Head Office for achieving such remarkable success over recent years on such limited resources.

## **TALL SHIPS YOUTH TRUST**

### **REPORT OF THE TRUSTEES**

**FOR THE YEAR ENDED 28 FEBRUARY 2011**

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#### **Structure, Governance and Management (continued)**

We are also fortunate to have such a wealth of knowledge, skills and experience on our Trustee board. As part of our annual planning process, we review and amend our Trustee matrix, a statement of the ideal mix of backgrounds and attributes needed collectively by the Trustees in order to effectively manage the Trust. Using this as a guide, we then recruit new Trustees to fill vacancies as they arise. The nominations, screening and selection process for new Trustees is managed on the Council's behalf by an Appointments Committee consisting of three Trustees including the Chairman and Chairmen of Governance and Finance. Additional Trustees are involved as appropriate. Candidates are invited to meet at least two Members of the Appointments Committee and the Chief Executive. As part of the appointments process, all new Trustees also receive a full briefing on the Trust's financial performance, business plans and key issues, and meet key employees. On conclusion of this process, the Appointments Committee recommend candidates to the Council which decides on the appointment and, if successful, co-opts the individual until the next AGM at which their appointment is agreed by the Members.

Four new Trustees were appointed in 2010/11: Bob Evans, Malcolm Le May, Michael Moore and David Tydeman. We continue to look for others to fill the gaps in our Trustee matrix. Only one Trustee, Martin Jay, stood down in 2010/11. Martin joined the Trust as Chairman in January 2004 and for seven years led the charity through some major changes, not least the reconfiguration of the fleet and the sale of Prince William. We will miss Martin's business experience and wise counsel but he has kindly agreed to become a Vice Patron and so will continue to provide support to the Trust as and when needed.

We thank all who gave of their time to act as Trustees and Vice Patrons during the year.

#### **Financial Results for the Year Ended 28 February 2011**

Following completion of the sale of Prince William in September 2010, the Trust's borrowings were able to be repaid and the charges on its vessels were released.

Consequently, the Trust's net current liabilities (excluding Endowment Funds) improved by £2,625K to £131K.

In the year, there was a £418K improvement in overall financial performance compared to last year. However, net outgoing resources show a deficit of £1,078K, including -

- Further financing and lay-up costs of £210K associated with the sale of Prince William (2010: £321K)
- Provision and payments for further deficits in the MNOPF £192K
- Depreciation charges on the Brig, Challenger Yachts and CAT of £198K (2010: £171K)
- Decrease in day to day fundraising income of £130K, largely due to two grants from donors who give every other year
- Decrease in income from Trustees' Fundraising Campaign of £50K with last of three annual donations received in 2009/10 and not yet replaced
- Fleet operational costs increased by £47K for the new CAT which only came into service in 2010/11 and by £66K (Brig £41K and Challengers £25K) for repairs and maintenance work carried forward from 2009/10 due to cash constraints
- Offset by increase in Trust's investments of £68K (2010: £138K)



# **TALL SHIPS YOUTH TRUST**

## **REPORT OF THE TRUSTEES**

**FOR THE YEAR ENDED 28 FEBRUARY 2011**

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### **Financial Results for the Year Ended 28 February 2011 (continued)**

After allowing for these items, the underlying performance shows some very positive aspects compared to 2009/10 -

- Despite an economic downturn, our sales and marketing initiatives are delivering year on year increases in voyage income, an increase of £139K, +11% in 2010/11
- Due to careful cost management, the cost of operating the fleet has been reduced year on year (£36K, excluding the CAT and work carried forward from prior year due to cash constraints)
- The cost of operating the Challenger fleet is 30% lower than operating the Brig
- In summary, voyage income is increasing, fleet costs are being contained, the number of young people sailing and the proportion who are disadvantaged/disabled are increasing. The underlying business model, based on the mixed fleet, is working and showing improvements in all areas

At the same time, we recognise that fundraising income has reduced and we need to increase our efforts in this area. So, for the foreseeable future, income generation and cost control must remain the financial priorities of the Trust.

The Trust ended the year with £3,040K in its unrestricted funds (including £122K cash at bank) and £2,128K in its restricted and endowment funds, so that total funds were £5,168K.

### **Future Financial Prospects and Reserves Policy**

The Trust's immediate short term aim is to generate sufficient income to match outgoings.

A main task is to use the new mixed fleet to its fullest potential to earn revenues in ways appropriate to the charity's purposes. The addition of the new catamaran will help to deliver the charity's mission. Resources are also being invested into developing day to day fundraising and also the Fundraising Campaign referred to on pages 11 and 12. It is recognised that it will take time to build up the income flow but the Trustees see this as the key to putting the Trust's financial position onto a sounder footing.

After moving its banking arrangement from Royal Bank of Scotland to Clydesdale Bank plc in 2008/09, the Trust increased its bridging facility, secured against Prince William and Challenger 4, to ensure that it had sufficient cash to enable it to operate its reconfigured fleet until the sale of a Brig was completed. On 20 September 2010, the Trust completed the sale of the Brig Prince William to the Pakistan Navy. Subsequently, the bridging finance and the Trust's other borrowings were able to be repaid and the charges on Prince William and Challenger 4 were released.

Nevertheless, the Trustees recognise that 2011/12 will be another challenging year financially but take comfort from the sale of the Prince William and previous years' achievements in equally challenging circumstances.

The Trustees' medium term objective is to build the Trust's reserves to protect our charitable mission against unexpected events, for example the consequences of one or more of the vessels being temporarily out of service. The Trustees have therefore set a goal of building available assets of the unrestricted funds to meet any potential gap between income and

# **TALL SHIPS YOUTH TRUST**

## **REPORT OF THE TRUSTEES**

**FOR THE YEAR ENDED 28 FEBRUARY 2011**

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### **Future Financial Prospects and Reserves Policy (continued)**

expenditure We recognise that it will take a significant period of years to achieve this goal but, once achieved, it will protect the charitable work of the Trust's thousands of supporters of the past half century

In addition, three extremely generous supporters helped us to reconfigure the fleet by buying Challengers and chartering them to us on a bareboat basis. As noted in the financial statements, TSYT has a commitment to buy the Challengers by August 2012. The financing of this commitment is now very much a priority.

### **Risk Review**

The major operational, reputation and financial risks to which the Trust is exposed, as identified by Council, have been reviewed and systems established to mitigate those risks. The main risks are described in more detail below.

**Operations** - The principal risk is associated with running the Trust's ocean-going vessels. The safety of everyone on board is paramount. All significant activities are subject to risk review as part of initial assessment and subsequent implementation. Paid and volunteer crew receive training. Voyage crew are trained and supervised. All vessels are maintained to the highest safety standards, in compliance with MCA and other regulatory standards.

**Fundraising Income** - The Trustees recognise that securing voluntary income is a challenge in difficult economic times but are mitigating this risk by approaching a more extensive range of funders than in previous years.

**Public Sector Funding** - The risk to the Trust's existing income streams is believed to be limited as it does not receive any statutory grants and only a very small amount of public sector income for providing services to young people. New initiatives such as the National Citizens Service are new and welcomed.

**Liquidity** - The Trust seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

**Interest Rates** - The Trust aims to finance its operations through a mixture of retained profits, bank borrowings and other loans. The Trust has exposure to interest rate fluctuations on its bank borrowings which are at a floating rate.

**Credit** - The Trust's principal financial assets are investments, bank deposits, cash and debtors. The credit risk associated with bank deposits and cash is low. The principal credit risk arises from debtors. To manage this, all voyage fees are paid prior to departure.

**Investments** - The Trust employs an investment manager who manages the funds on a discretionary basis, with agreed objectives for a diversified portfolio invested in a medium-risk spread of assets. The Trustees keep these guidelines under review and, at quarterly intervals, review the performance of the investments against an appropriate benchmark.

# **TALL SHIPS YOUTH TRUST**

## **REPORT OF THE TRUSTEES**

**FOR THE YEAR ENDED 28 FEBRUARY 2011**

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### **Investment Powers and Investment Policy**

The Articles of Association give the Trustees the power to invest the monies of the Trust not immediately required for its purposes in or upon such investments, securities or other property as may be thought fit, subject nevertheless to such conditions and such consents as may for the time being be imposed by law

In 2005 the Trustees decided that the endowment funds amounting to £929K and £500K of the International restricted fund should be invested with the aim of earning a higher overall return than interest bearing deposits permitted. Brewin Dolphin Ltd was appointed to manage the Trust's portfolio of investments on a discretionary basis and with a diversified risk profile. The portfolio achieved a total return of +14.7% for the twelve month period to 28 February 2011, once the addition of £331,940 in January is taken into account, which compares favourably with a 13.1% rise in the benchmark, WM Charities Universe – Total Charities index. Over the three year period to 28 February 2011, the portfolio gained 13.7%, which is in line with the rise in the benchmark. Given the poor outlook for fixed interest securities at a time of rising inflation and possible interest rate hikes, the weighting in the asset class has been kept relatively low and is focused on index linked stocks as well as flexible bond funds that are able to invest across a range of different bond markets and use strategies to preserve capital. Correspondingly, the exposure to equities is above that in the benchmark due to the attractive valuations on offer, with many stocks offering sound potential for future earnings growth. An estimated gross annual income of £28,737 was generated by the investments at the 28 February 2011, equivalent to a gross yield of 3%.

### **Statement of Trustees' Responsibilities**

The Trustees (who are also Directors of Tall Ships Youth Trust for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable 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
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business

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.

## TALL SHIPS YOUTH TRUST

### REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2011

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#### **Statement of Trustees' Responsibilities (continued)**

The Trustees are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as each of the Trustees is aware -


- there is no relevant audit information of which the charitable company's auditors are unaware, and
- the Trustees have taken all steps they ought to have taken to make themselves aware of any relevant audit information and 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

#### **Auditors**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE TRUSTEES



Jock Lennox  
Chairman of the Council  
8 June 2011

## **REPORT OF THE INDEPENDENT AUDITOR**

### **TO THE MEMBERS AND TRUSTEES OF TALL SHIPS YOUTH TRUST**

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We have audited the financial statements of Tall Ships Youth Trust for the year ended 28 February 2011 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated summary income and expenditure account, the consolidated and parent charitable company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members and trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members and 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 its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Trustees and Auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on pages 16 and 17, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 28 February 2011 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **REPORT OF THE INDEPENDENT AUDITOR**

**TO THE MEMBERS AND TRUSTEES OF TALL SHIPS YOUTH TRUST  
(CONTINUED)**

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### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Stephen Mills  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Southampton  
10 June 2011

# **TALL SHIPS YOUTH TRUST**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared in accordance with the Companies Act 2006 and with applicable United Kingdom accounting standards and the Statement of Recommended Practice Accounting and Reporting by Charities (the SORP) issued in March 2005. They have been prepared under the historical cost convention except for investments included at market value.

As set out in the Trustees' Report, the Trustees have implemented a strategy to reduce the Trust's operating costs over the long term. The projections of future cash flow show that the Trust remains in a position to deliver its revised business plan and consequently the Trustees consider it appropriate to continue to prepare the financial statements on a going concern basis.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

### **BASIS OF CONSOLIDATION**

The group financial statements consolidate those of the charity and of its subsidiary undertakings (see note 13) drawn up to 28 February 2011. The results of the charity's trading subsidiary, Tall Ships Limited, have been consolidated on a line by line basis. Surpluses or deficits on intra group transactions are eliminated in full. The financial statements of the charity incorporate those of its branches, which prepare accounts to 31 December annually.

### **INCOMING RESOURCES**

#### **Donations and Gifts**

All monetary donations and gifts are included in full in the statement of financial activities when receivable, provided that there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the pre-condition has been met.

Legacies to which the charity is entitled are included in the statement of financial activities unless they are incapable of measurement.

Intangible income is valued and included in income to the extent that it represents goods or services which would otherwise be purchased. An equivalent amount is charged as expenditure. Voluntary help is not included as income.

Life subscriptions are counted in full when received. Annual membership fees are recognised over the period to which they relate.

Donations and any associated income tax recoveries when donated under gift aid are credited as income when the amounts are received.

#### **Activities for Generating Funds**

Revenue from activities such as special fund raising events is recognised in the period in which the activity or event occurs.

#### **Investment income**

Investment income is recognised when receivable.

#### **Incoming Resources from Charitable Activities**

Revenue from voyage fees is recognised in the year in which the voyage commences.

# **TALL SHIPS YOUTH TRUST**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **INCOMING RESOURCES (CONTINUED)**

#### **Grants Receivable**

Revenue grants are credited as incoming resources when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred

Grants for the purchase of fixed assets are initially credited to restricted incoming resources when receivable. On completion of the purchase or construction of the fixed asset towards which the grant was receivable, the amount of grant is transferred from restricted to unrestricted resources

### **RESOURCES EXPENDED**

Expenditure is recognised when a liability is incurred

Expenditure, which is charged on an accruals basis, is allocated between -

- Charitable expenditure incurred directly in the fulfilment of the charity's objectives
- Costs of generating funds, being those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds
- Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements
- Other costs comprise interest payable on loans
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources

### **FUND ACCOUNTING**

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund

Endowment funds represent those funds which must be held permanently on trust by the charity for the benefit of the charity

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the charity

Designated funds are unrestricted funds which have been designated for specific purposes by the Trustees

### **FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the statement of financial activities



# **TALL SHIPS YOUTH TRUST**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

Tangible fixed assets are stated at cost or valuation, net of depreciation. The costs of the new ships include all direct costs incurred before entry into service. Depreciation is calculated on all tangible fixed assets to write down the cost or valuation less estimated residual value by annual instalments over their expected useful lives. The periods generally applicable are -

Brigs	25 years
Yachts	4-15 years
Computers and Office Equipment	5 years
Display and Exhibition Equipment	3 years
Fixtures and Fittings	18 months

### **INVESTMENTS**

Assets held for investment purposes are included at market value.

Traded securities are valued at the mid-point quotation in the Stock Exchange Daily List. Other investment assets are included at the Trustees' best estimate of market value. Donated shares that come with a requirement that they be held for a fixed period are included in the Balance Sheet at a value assessed by the Trustees at the date of receipt. This value is then reviewed by the Trustees at each balance sheet date.

### **STOCKS**

Stocks are stated at the lower of cost and net realisable value.

### **RETIREMENT BENEFITS**

#### **Defined Contribution Scheme**

The pension costs charged in the year represent the amount of the contributions payable to the scheme in respect of the accounting period.

#### **Defined Benefit Scheme**

Some employees were members of the Merchant Navy Officers Pension Fund which is a multi-employer scheme. The Trust is unable to identify its share of the underlying assets and liabilities of this scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for it as if it were a defined contribution scheme.

### **LEASED ASSETS**

All leases are regarded as operating leases and the payments made under them are charged to the statement of financial activities on a straight line basis over the lease term.

# TALL SHIPS YOUTH TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 28 FEBRUARY 2011

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2011 £	Total 2010 £
<b>Incoming resources</b>						
Incoming resources from generated funds						
Voluntary income						
Donated asset		-	-	-	-	150,000
Other voluntary income	1	201,825	337,821	-	539,646	669,641
Activities for generating funds	2	22,020	-	-	22,020	32,918
Investment income		371	1,800	15,518	17,689	27,747
Incoming resources from charitable activities	3	1,610,873	-	-	1,610,873	1,469,001
<b>Total incoming resources</b>		<b>1,835,089</b>	<b>339,621</b>	<b>15,518</b>	<b>2,190,228</b>	<b>2,349,307</b>
<b>Resources expended</b>	7					
Costs of generating funds						
Costs of generating voluntary income		242,593	-	-	242,593	261,157
Fundraising trading costs of goods sold and other costs		12,160	-	-	12,160	18,687
Investment management costs		-	-	3,504	3,504	3,900
Charitable activities		2,502,491	415,000	-	2,917,491	2,833,362
Governance costs		37,319	-	-	37,319	39,582
Other costs		110,834	-	-	110,834	117,262
<b>Total resources expended</b>		<b>2,905,397</b>	<b>415,000</b>	<b>3,504</b>	<b>3,323,901</b>	<b>3,273,950</b>
<b>Net (outgoing)/incoming resources before other recognised gains and losses</b>		<b>(1,070,308)</b>	<b>(75,379)</b>	<b>12,014</b>	<b>(1,133,673)</b>	<b>(924,643)</b>
<b>Other recognised gains and losses</b>						
Transfers between funds		8,500	-	(8,500)	-	-
Exceptional item	8	(11,789)	-	-	(11,789)	(709,656)
Gains/(losses) on investment assets		-	-	67,513	67,513	138,145
<b>Net (outgoing)/incoming resources for the year</b>		<b>(1,073,597)</b>	<b>(75,379)</b>	<b>71,027</b>	<b>(1,077,949)</b>	<b>(1,496,154)</b>
Fund balances brought forward at 1 March 2010		4,113,195	1,216,795	916,193	6,246,183	7,742,337
<b>Fund balances carried forward at 28 February 2011</b>		<b>3,039,598</b>	<b>1,141,416</b>	<b>987,220</b>	<b>5,168,234</b>	<b>6,246,183</b>

The accompanying accounting policies and notes form an integral part of these financial statements

All operations of the Trust and its subsidiaries are classed as continuing

## TALL SHIPS YOUTH TRUST

### CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 2011

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	2011 £	2010 £
Total income	2,174,710	2,325,130
Total expenditure	<u>3,320,397</u>	<u>3,979,706</u>
Net outgoings for the year before transfers	<u>(1,145,687)</u>	<u>(1,654,576)</u>

Total income comprises £1,835,089 (2010 £1,964,925) for unrestricted funds and £339,621 (2010 £360,205) for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities.

Detailed analysis of expenditure is provided in the consolidated statement of financial activities and note 7.

The summary income and expenditure account is derived from the consolidated statement of financial activities on page 23 and excludes all income and expenditure on the endowment funds but includes an exceptional item as explained in Note 8. The statement of financial activities together with the notes on pages 26 to 36 provides full information on the movements during the year on all the funds of the Charity.

# TALL SHIPS YOUTH TRUST

## BALANCE SHEETS

AS AT 28 FEBRUARY 2011

	Note	Consolidated 2011 £	2010 £	Tall Ships Youth Trust 2011 £	2010 £
<b>Fixed assets</b>					
Tangible assets	12	<b>4,590,198</b>	8,708,985	<b>4,590,198</b>	8,708,985
Investments	13	-	-	<b>160,409</b>	160,409
		<b>4,590,198</b>	8,708,985	<b>4,750,607</b>	8,869,394
<b>Current assets</b>					
Stocks		<b>5,719</b>	6,250	<b>250</b>	250
Debtors	14	<b>302,483</b>	153,577	<b>36,446</b>	58,897
Investments	15	<b>978,768</b>	567,677	<b>978,768</b>	567,677
Cash at bank and in hand		<b>122,764</b>	88,154	<b>94,109</b>	47,118
		<b>1,409,734</b>	815,658	<b>1,109,573</b>	673,942
<b>Creditors: amounts falling due within one year</b>	16	<b>(553,063)</b>	(2,656,146)	<b>(669,589)</b>	(2,764,944)
<b>Net current assets / (liabilities)</b>		<b>856,671</b>	(1,840,488)	<b>439,984</b>	(2,091,002)
<b>Total assets less current liabilities</b>		<b>5,446,869</b>	6,868,497	<b>5,190,591</b>	6,778,392
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(278,635)</b>	(199,314)	-	(86,853)
<b>Provisions for liabilities</b>	19	-	(423,000)	-	(423,000)
		<b>5,168,234</b>	6,246,183	<b>5,190,591</b>	6,268,539
<b>Capital funds</b>					
Endowment funds	20	<b>987,220</b>	916,193	<b>987,220</b>	916,193
<b>Income funds</b>					
Restricted funds	21	<b>1,141,416</b>	1,216,795	<b>1,141,416</b>	1,216,795
Unrestricted funds	22	<b>3,039,598</b>	4,113,195	<b>3,061,955</b>	4,135,551
		<b>5,168,234</b>	6,246,183	<b>5,190,591</b>	6,268,539

The financial statements were approved by the Trustees on 8 June 2011

*Jock Lennox*

Jock Lennox  
Chairman of the Council

Charity Number 314229

Company Number 567460

The accompanying accounting policies and notes form an integral part of these financial statements

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 1 INCOMING RESOURCES FROM VOLUNTARY INCOME

	2011 £	2010 £
Donations	445,820	529,675
Legacies	54,328	85,103
Membership	39,498	54,863
	<u>539,646</u>	<u>669,641</u>

### 2 INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING INCOME

	2011 £	2010 £
Fundraising Events	<u>22,020</u>	<u>32,918</u>

### 3 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2011 £	2010 £
Generated from Ship Operations	1,560,476	1,416,252
Grants	50,397	52,749
	<u>1,610,873</u>	<u>1,469,001</u>

### 4 GRANTS

Material grants receivable during the year were as follows -

Category	Source	2011 £	2010 £
Youth Work	Association of Sea Training Organisations	<u>50,397</u>	<u>52,749</u>

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 5 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES

The Charity's only active subsidiary is Tall Ships Limited. A summary of its results for the year is set out below -

	2011 £	2010 £
Turnover	1,688,928	1,602,114
Operating costs	(2,170,791)	(1,994,021)
Other income – subvention receipt	489,846	407,203
Operating profit	7,983	15,296
Interest receivable	27	346
Interest payable and other charges	(8,010)	(15,642)
Net profit	-	-

The net assets and liabilities of the active subsidiary are -

	2011 £	2010 £
Fixed and current assets	2,329,912	398,053
Creditors amounts falling due within one year	(2,051,277)	(285,592)
Creditors amounts falling due after more than one year	(278,635)	(112,461)
Total net assets	-	-
Aggregate of share capital and reserves	-	-

### 6 BRANCHES

The financial results of the branches of Tall Ships Youth Trust are consolidated into these accounts on the basis of returns as of 31 December annually submitted by each branch. Branches raised £46,255 (2010 £56,741) in the year.

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 7 ANALYSIS OF RESOURCES EXPENDED

	Direct costs £	Support costs £	Total 2011 £	Total 2010 £
<b>Cost of generating funds</b>				
Costs of generating voluntary income				
Fundraising costs	203,933	38,660	242,593	261,157
Fundraising trading				
Events costs	11,943	217	12,160	18,687
Investment management costs	3,504	-	3,504	3,900
<b>Charitable activities</b>				
Ship related costs	1,685,658	-	1,658,658	1,699,223
Depreciation	198,401	-	198,401	171,254
Bursaries and grants paid from restricted funds	415,000	-	415,000	544,464
Defined benefit pension scheme contribution (see Note 24)	192,183		192,183	-
Other expenses	293,947	132,302	426,249	418,421
	2,785,189	132,302	2,917,491	2,833,362
<b>Governance costs</b>				
Staff costs	15,556	-	15,556	13,360
Administrative expenses	19,968	1,795	21,763	26,222
	35,524	1,795	37,319	39,582
<b>Other Costs</b>				
Interest payable and other charges	110,834	-	110,834	117,262
<b>Total resources expended include</b>				
			2011 £	2010 £
Auditors remuneration				
Audit services			15,000	17,500
Non-audit services			1,500	1,500
Expenses			500	500
			17,000	19,500
Depreciation and provision for impairment			212,977	460,790
Operating lease rentals			25,418	26,791

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 8 EXCEPTIONAL ITEM

The Trust completed the sale of the Brig Prince William on 20 September 2010. This was recognised as a post balance sheet event in the prior year. The asset was not in use by the Trust for its charitable purposes in the current or prior year and the following exceptional costs relating to the sale, together with the residual loss on disposal, are classified in the Statement of Financial Activities under the heading Other Recognised Gains and Losses rather than as Resources Expended for the year.

	2011 £	2010 £
Dry docking costs	-	380,000
Depreciation and provision for impairment	11,789	286,656
Other costs	-	43,000
	<u>11,789</u>	<u>709,656</u>

### 9 EMPLOYEES

Employee costs during the year were as follows -

	2011 £	2010 £
Wages and salaries	454,810	426,733
Social security costs	48,044	44,594
Other pension costs	22,491	22,661
	<u>525,345</u>	<u>493,988</u>

The average number of employees during the year were as follows

	2011	2010
Management and administration	<u>13</u>	<u>13</u>

The emoluments of higher paid employees fell within the following ranges

	2011 Number	2010 Number
£60,001 to £70,000	1	1
£70,001 to £80,000	<u>1</u>	<u>-</u>

### 10 PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

No Trustee or person with a family or business connection with a Trustee received remuneration in the year, directly or indirectly, from either the charity or an institution or company controlled by the charity.

Expense reimbursements for travel and subsistence were paid to two (2010: two) Trustees during the year and in total amounted to £628 (2010: £767).



# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 28 FEBRUARY 2011

#### 11 DEFICIT OF EXPENDITURE OVER INCOME

A separate statement of financial activities and income and expenditure account are not presented for the parent charity as permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP

The deficit of expenditure over income for the year includes £1,077,948 (2010 £1,496,154) that is dealt with in the financial statements of the charity. This is stated after the subvention payment of £489,846 (2010 £407,203) to its subsidiary Tall Ships Limited and exceptional expenditure of £11,789 (2010 £709,656) as shown in note 8

Details of the results of the trading subsidiary are set out in note 5

#### 12 TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust	Brigs £	Yachts £	Computers, Fixtures and Equipment £	Total £
Cost				
At 1 March 2010	11,083,198	522,659	139,304	11,745,161
Additions	29,300	88,401	560	118,261
Disposals	(5,416,404)	-	-	(5,416,404)
At 28 February 2011	<u>5,696,094</u>	<u>611,060</u>	<u>139,864</u>	<u>6,447,018</u>
Depreciation				
At 1 March 2010	2,853,352	48,133	134,691	3,036,176
Provided in the year	149,113	49,288	2,787	201,188
Disposals	(1,380,544)	-	-	(1,380,544)
At 28 February 2011	<u>1,621,921</u>	<u>97,421</u>	<u>137,478</u>	<u>1,856,820</u>
Net book amount at 28 February 2011	<u><b>4,074,173</b></u>	<u><b>513,639</b></u>	<u><b>2,386</b></u>	<u><b>4,590,198</b></u>
Net book amount at 28 February 2010	<u>8,229,846</u>	<u>474,526</u>	<u>4,613</u>	<u>8,708,985</u>

#### 13 FIXED ASSET INVESTMENTS

	2011 £	2010 £
Investment in Subsidiary undertakings	<u><b>160,409</b></u>	<u>160,409</u>

At 28 February 2011 the charity held the whole of the issued share capital of its active subsidiary – Tall Ships Limited engaged on the operation of tall ships. The charity also held the whole of the issued share capital of the following dormant companies – Tall Ships Races Limited, Tall Ships Classics Limited, Tall Ships Events Limited, STA Tall Ships Limited, International STA Limited, Tall Ships Youth Limited, Tall Ships Crew Limited, Tall Ships Adventures Limited, Tall Ships 2000 Limited and The Sail Training Association. All of the subsidiary undertakings have been consolidated in these financial statements

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 14 DEBTORS

	Consolidated 2011 £	2010 £	Tall Ships Youth Trust 2011 £	2010 £
Trade debtors	10,136	2,179	-	-
Amounts owed by group undertakings	-	-	1,955	1,955
VAT	9,933	12,480	2,442	12,480
Unamortised dry docking costs	234,775	83,896	-	-
Other debtors	26,104	26,300	24,705	21,302
Prepayments	21,535	28,722	7,344	23,160
	<b>302,483</b>	<b>153,577</b>	<b>36,446</b>	<b>58,897</b>

### 15 CURRENT ASSET INVESTMENTS

	Consolidated 2011 £	2010 £	Tall Ships Youth Trust 2011 £	2010 £
Listed investments (in the UK)	933,974	553,233	933,974	553,233
Cash held as part of portfolio	41,581	11,441	41,581	11,441
Unlisted investments (in the UK)	3,213	3,003	3,213	3,003
	<b>978,768</b>	<b>567,677</b>	<b>978,768</b>	<b>567,677</b>

Listed investments are stated at the lower of Trustees' valuation or their market value as at the balance sheet date. Unlisted investments have been valued by the Trustees.

### 16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2011 £	2010 £	Tall Ships Youth Trust 2011 £	2010 £
Bank loans and overdraft	56,531	1,961,330	56,531	1,961,330
Other loans	-	72,000	-	72,000
Loans from Trustees and funders	-	119,000	-	119,000
Payments received on account	145,884	152,077	-	-
Trade creditors	52,311	90,206	11,171	43,324
Amounts owed to group undertakings	-	-	340,253	394,390
Social Security and other taxes	26,617	38,740	15,471	38,740
Other creditors and accruals	271,720	222,793	246,163	136,160
	<b>553,063</b>	<b>2,656,146</b>	<b>669,589</b>	<b>2,764,944</b>

Bank loans and overdrafts include £nil (2010 £1,900,799) secured by fixed and floating charges over the Trust's ships, yachts and other assets.

Included in other loans and loans from Trustees and funders is £Nil (2010 £151,000) which is secured by fixed charges over the Trust's ships, yachts and other assets.

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated 2011 £	2010 £	Tall Ships Youth Trust 2011 £	2010 £
Other loans	-	86,853	-	86,853
Other creditors	278,635	112,461	-	-
	<u>278,635</u>	<u>199,314</u>	<u>-</u>	<u>86,853</u>

### 18 BORROWINGS

Borrowings are repayable as follows -

	Consolidated 2011 £	2010 £	Tall Ships Youth Trust 2011 £	2010 £
Within one year				
Bank and other borrowings	56,531	2,152,330	56,531	2,152,330
After one and within two years				
Bank and other borrowings	-	72,000	-	72,000
After two and within five years				
Bank and other borrowings	-	14,853	-	14,853
	<u>56,531</u>	<u>2,239,183</u>	<u>56,531</u>	<u>2,239,183</u>

The Trust completed the sale of the Brig Prince William on 20 September 2010. Subsequently all secured borrowings were able to be repaid and the fixed charges over the Trust's vessels and other assets (Notes 16 and 17) were released.

### 19 PROVISIONS FOR LIABILITIES

	Consolidated £	Tall Ships Youth Trust £
At 1 March 2010	423,000	423,000
Utilised in the year	<u>(423,000)</u>	<u>(423,000)</u>
At 28 February 2011	<u>-</u>	<u>-</u>

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 20 ENDOWMENT FUNDS

	Andrew Salvesen £	Michael Crocker £	Nova Scotia £	Lord Burnham £	Total £
At 1 March 2010	880,217	9,311	8,998	17,667	916,193
Incoming resources	14,714	210	210	384	15,518
Resources expended	(3,310)	(51)	(50)	(93)	(3,504)
Transfers	(8,500)	-	-	-	(8,500)
Gains/(losses) on investment assets	63,795	973	970	1,775	67,513
At 28 February 2011	946,916	10,443	10,128	19,733	987,220

The Andrew Salvesen fund was established in November 1999 with a donation from the Andrew Salvesen Charitable Trust. In March 2004 a Trust Deed was established to create the Andrew Salvesen Endowment Trust whose initial asset is this capital sum of £900,000. The object of this Trust is to generate income to enhance the personal development of young people through crewing tall ships. Tall Ships Youth Trust is the sole Trustee of the Andrew Salvesen Endowment Trust which has been registered as a subsidiary of Tall Ships Youth Trust with the Charity Commission.

The Michael Crocker fund was set up in memory of a yachtsman murdered in February 1982. The income is for contributions to voyage fees for pupils of Henley College.

The Nova Scotia fund was set up in memory of trainees who died on the sailing ship "Marques" which sank off Bermuda during the 1984 American Tall Ships race. The income is shared with the American Sail Training Association and is to support a voyage berth.

The Lord Burnham fund was set up in his memory following his death in June 1993. Income is for contributions to Voyage fees aboard the Trust's ships for trainees ideally but not exclusively from Eastern Europe.

The Charity Commission permitted the Trust to adopt the use of total return investment powers in relation to its permanent endowment investments by an order granted in May 2005. The power permits the Trustees to invest the portfolio to maximise total return and to apply an appropriate portion of the unapplied total return to income each year. Until the power is exercised to transfer a portion of unapplied total return to income (as disclosed in the fund transfers, notes 19 and 21), the unapplied total return remains invested as part of the Permanent Endowment.

	£
Unapplied total return at 1 March 2010	-
Investment return - accumulated losses to 1 March 2010	(12,807)
Investment return - year to 28 February 2011	
Dividends and interest	15,517
Gains and losses	67,513
Investment management costs	(3,503)
Unapplied total return before transfer to income	66,720
Unapplied total return applied	(8,500)
Unapplied total return at 28 February 2011	58,220
Original value of gifts	929,000
Permanent endowment including the unapplied total return	987,220

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 21 RESTRICTED FUNDS

	Specific Funds £	International Fund £	Total £
At 1 March 2010	1,041,887	174,908	1,216,795
Incoming resources	337,821	1,800	339,621
Expenditure	(415,000)	-	(415,000)
At 28 February 2011	964,708	176,708	1,141,416

The Specific Funds are donations made to the Trust to be used for specified purposes. At 28 February 2011 there were 91 separate funds (2010: 98).

The International Fund is restricted within the accounts of the Trust for the support of international sail training activities.

### 22 UNRESTRICTED FUNDS

	Consolidated £	Tall Ships Youth Trust £
At 1 March 2010	4,113,195	4,135,551
Incoming resources	1,843,589	225,281
Expenditure	(2,917,186)	(809,031)
Transfers to subsidiary undertaking	-	(489,846)
At 28 February 2011	3,039,598	3,061,955

### 23 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
<b>Consolidated</b>				
Tangible fixed assets	4,590,198	-	-	4,590,198
Current assets	(718,902)	1,141,416	987,220	1,409,734
Current liabilities	(553,063)	-	-	(553,063)
Creditors due after one year	(278,635)	-	-	(278,635)
	3,039,598	1,141,416	987,220	5,168,234
<b>Tall Ships Youth Trust</b>				
Tangible fixed assets	4,590,198	-	-	4,590,198
Investments	160,409	-	-	160,409
Current assets	(1,019,063)	1,141,416	987,220	1,109,573
Current liabilities	(669,589)	-	-	(669,589)
	3,061,955	1,141,416	987,220	5,190,591

# **TALL SHIPS YOUTH TRUST**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 28 FEBRUARY 2011**

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### **24 PENSIONS**

#### **Defined contribution scheme**

The group makes contributions towards individual pension schemes for the benefit of certain employees. The assets of these schemes are administered by Trustees in funds independent from those of the Tall Ships Youth Trust and its subsidiary companies. Contributions made during the year are disclosed in note 7.

#### **Defined benefit scheme**

A number of the Trust's seagoing personnel have belonged to an industry wide pension scheme – the Merchant Navy Officers Pension Fund ('MNOFF'). The Trustee Board of this scheme has advised that part of the scheme is in deficit and it is apportioning the deficit between participating employers. The Trust's share of the deficit from the March 2003 actuarial valuation was assessed as £81,365 and a further assessment was raised for £11,716 representing the Trust's share of the shortfall in amounts collected from participating employers. The total liability will be paid over eight annual instalments of £13,385 (including interest at 6.8%).

The Trustee Board of the scheme has advised that a further deficit of £66,312 has arisen as a result of the March 2006 actuarial valuation. It has been agreed that the Trust's share of this deficit can be settled in instalments of £4,500 payable annually in September until 2014, thereafter increasing to a higher amount which has yet to be agreed.

A further actuarial valuation of the pension scheme for March 2009 was completed and issued to participating employers in March 2010. The Trustee Board of the scheme has advised that a further deficit of £177,320 has arisen as a result of the March 2009 actuarial valuation. The Trust is in discussion with the MNOFF Trustee Board to agree a funding plan. The entire deficit of £177,320 has been recognized in the Statement of Financial Activities together with £14,863 paid to a third party which took over certain of the employment contracts in a prior year.

The aggregate liability at 28 February 2011 was £289,781 (2010: £130,926).

### **25 CAPITAL COMMITMENTS**

Other than as shown in Note 28 there were no capital commitments at 28 February 2011 or 28 February 2010. No amounts were authorised but not yet contracted for.

### **26 CONTINGENT LIABILITIES**

There were no contingent liabilities at 28 February 2011 or at 28 February 2010.

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

### 27 LEASING COMMITMENTS

Operating lease payments amounting to £25,418 (2010 £25,418) are due within one year. The leases to which these amounts relate expire as follows -

	2011		2010	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	-	-	-	-
Between two and five years	-	4,668	-	4,668
In more than five years	20,750	-	20,750	-
	<u>20,750</u>	<u>4,668</u>	<u>20,750</u>	<u>4,668</u>

### 28 RELATED PARTY TRANSACTIONS

The Trust has entered into charter agreements with Mr M P Aiken, Mr G W Pritchard-Gordon and Mr J A F and Mrs I Cowderoy for the use of Challenger 1, 2 and 3 respectively. Under the charter agreements the Trust has a commitment to purchase Challenger 1, 2 and 3 on 8 August 2012.

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