

THE SAIL TRAINING ASSOCIATION

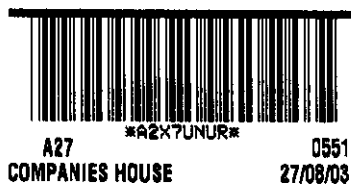
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

28 FEBRUARY 2003

Company Number: 567460

Charity Number: 314229



THE SAIL TRAINING ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2003

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THE SAIL TRAINING ASSOCIATION

LEGAL AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2003

The Sail Training Association is a company limited by guarantee.

Company Registration Number: 567460

Charity registration number 314229

Registered Office: 2A The Hard
Portsmouth
Hampshire
PO1 3PT

Patron His Royal Highness The Prince Philip Duke of Edinburgh KG

Vice Patrons: Mr M A C Drummond OBE, DL, JP
Gen Sir Patrick Howard-Dobson GCB
Mr B A Stewart
Vice Admiral Sir George Vallings KCB (resigned May 2003)

Trustees who served at any time during the financial year and including changes in the period to 20 May 2003 are as follows:-

Trustees

President : Vacancy
Vice President: Lord Greenway
Mr T P Allen (appointed March 2002 and resigned September 2002, re-appointed April 2003)
Mr I A Carruthers (appointed March 2002)
Mr J A F Cowderoy (appointed May 2002)
Mr D Darbyshire
Vice Admiral M Gretton
Sir Michael Harrison Bt JP (resigned December 2002)
Captain T Hughes (resigned May 2002)
Mr M D Jones (appointed May 2002 and resigned January 2003)
Colonel D E King OBE
Mr I Laidlaw (appointed May 2002)
Mr C R J Lee RD (resigned March 2002)
Mr R Morley
Mr G W Pritchard-Gordon
Mr A C Salvesen (appointed March 2002)
Mr I R Ventham

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Chief Executive	Mrs C A Law
Secretary:	Blakelaw Secretaries Limited
Bankers:	Royal Bank of Scotland Plc Messrs Hoare & Co Lloyds TSB Bank Plc
Solicitors:	Nabarro Nathanson Lacon House Theobold's Road London WC1X 8RW Blake Laphorn Harbour Court Compass Road, North Harbour Portsmouth PO6 4ST
Auditors:	Grant Thornton Registered Auditors Chartered Accountants Manor Court Barnes Wallis Road Segensworth Fareham PO15 5GT

THE SAIL TRAINING ASSOCIATION

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2003

The Trustees present their report together with the audited financial statements for the year ended 28 February 2003.

Objectives and powers

The Charity is dedicated to the personal development of young people through crewing Tall Ships. Its principal activities continue to be to provide opportunities to go to sea in the STA's sailing ships and to promote sail training internationally.

Review of activities

The STA had great success during the year. Our two square-rigged brigs were in operation for twelve months of the year, thus being able to carry many more young crew than in previous years, and 75 vessels took part in the Cutty Sark Tall Ships' Races 2002.

- Stavros S. Niarchos and Prince William

The Charity has two magnificent ships, built and maintained to high standards, each able to carry nearly 50 young people on every voyage for the coming decades. We are proud that our mission led so many generous people and organisations to give their time, energy and over £10 million to create these fine vessels. We re-echo our thanks given in previous reports to all those who contributed to this achievement.

As the year began, Stavros S Niarchos was heading for the Mediterranean and her first ever visit to Greece. She was greeted in Piraeus by representatives of the Stavros S Niarchos Foundation, the Greek Minister of Shipping and the STA's Vice President. The Mediterranean voyages proved extremely popular and the Foundation's additional financial support in underwriting the flight costs for all the young voyage crew, the salaried and volunteer crews was very much appreciated.

Stavros S Niarchos then joined the international fleet for the Cutty Sark Tall Ships' Races 2002, sailing into Portsmouth, the final race port and her home port, to a resounding reception. On completing her summer programme of youth voyages, she headed south to Cadiz for her first dry docking and then across the Atlantic bound for the Caribbean. Her arrival in Barbados was heralded by the Minister of Education and Sport and the British High Commissioner. She made an equally impressive impact in Antigua, winning the World Peace Cup and numerous other trophies in the Antigua Classic Yacht Regatta.

Prince William began the year with a visit to Falmouth for the official start of the Queen's Jubilee year celebrations where one of our Captains was presented. The intensive programme of youth voyages and day sails which followed during the summer included a series of bookings by Scottish branches. We are very grateful for this support which helped to increase occupancy levels overall. Other high profile appearances included the Volvo Race Stop-over in Gothenburg and a joint visit with Endeavour to Weymouth.

Our mission of youth development remains our primary purpose. During the last year we have further developed our policies and standards of youth work. This has included reviewing our codes of conduct and systems for checking the 'suitability' of crew members having regular contact with young people as well as new training programmes in dealing with challenging behaviour. Meanwhile, our innovative Youth Mentor scheme, whereby professionally qualified teachers and youth workers sail as volunteers on the ships continued to attract interest and praise. As a result, our reputation increases with the Department for Education and Skills and we are receiving an increasing number of invitations to engage with other national bodies.

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The anecdotal evidence of the positive impact that crewing tall ships has on young lives grows apace but we are now building a solid base of empirical evidence as well. Phase I of an international research project commissioned from Otago University by the STA, indicated that higher levels of self esteem were generated in young people on tall ships voyages than through any other form of experiential activity that they had ever measured before. Phase II of the research project will begin in 2003 and will investigate the factors which contribute to this effect and whether it lasts over an extended period of time.

Last year, some 4,700 individuals spent 24,600 voyage nights on board the STA's brigs. Taking into account the total expenditure of both STA and STA Tall Ships Limited, the cost per person per night was only £90. The Trustees believe that this demonstrates that our brigs provide a valuable and cost effective medium for developing young people.

Voyage fee income increased to nearly £1.4 million in 2002/03, a 22% improvement on the previous year. We achieved better utilisation of the ships, increased occupancy and an improvement in the financial return per night. This was a result of innovative voyage programmes and new marketing techniques, particularly in the winter months, which accounted for 65% of the increase in income. Meanwhile, there was a 31% reduction in the proportion of income expended on head office support costs.

The vital task remains to maximise the sale of berths at prices that enable the income of the ships to match the outgoings of taking them to sea. This means finding new ways of extending the season beyond the summer holidays for young people at school as well as offering voyages likely to attract both young and older adults, particularly in the winter outside the holiday periods. We continue to develop new strategies for PR, sales and marketing and in the last twelve months have added numerous promotional materials. These include redesigned sales brochures, power-point presentations, a new video and an interactive CD rom (sponsored by the HSBC Education Trust) that is given to every young person who sails with us. Our website continues to attract 250,000 visits per month and the latest developments of a virtual tour of the ships and a ships' tracker, accurate to 100 metres, are proving particularly popular.

- Cutty Sark Tall Ships' Races 2002

The 2002 race series began in Alicante and continued to Malaga and La Coruna, meeting another fleet from Brest, and then on to Santander and Portsmouth. 75 vessels from around 20 countries took part, including 14 Class A square rigged ships. More than 5,000 crew were involved, of whom more than 3,000 were aged between 15 and 25. The efforts of the ports combined with a race area convenient to a large number of European sail training vessels, helped to make this a successful event.

The ports had made considerable efforts to market and prepare for the races and were rewarded by huge crowds as visitors came to support the fleet. The ports also managed the berthing and provisioning arrangements well and provided excellent activities for the young members of the ships' crews. The French ship Tante Fine won the coveted Cutty Sark Trophy, awarded on the vote of the fleet to the ship that contributed most during the event to international understanding and friendship. The races were won by Jolie Brise (first), Mir (second and fourth) and Duet (third).

After years of debate about whether the races would be more effective if organised by an organisation which did not have its own ships in the fleet, an accord was reached in December 2002 which led to responsibility for the Cutty Sark Tall Ships' Race 2003 being transferred to the Belgian registered Sail Training International (Events) CVBA.

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Originally proposed by The Sail Training Association, this new arrangement secures the 2003 race for the benefit of the young people. Having started the races nearly 50 years ago, we can now focus all our attention on maximising the opportunities for young people both here and abroad.

- Our supporters

The STA has literally thousands of individuals who dedicate themselves to the service of the STA and our mission for young people.

On the water, our volunteer crews provided vital support, offering much needed encouragement to our young voyage crews and assistance to our salaried crews. We thank all of these volunteers without whom the charity would not be able to function.

The volunteers of the STA's network of branches throughout the UK continue their tireless work to enable the charity to reach out to the young people most likely to gain from a tall ships voyage but who would otherwise neither know of nor be able to afford the experience. Each year these volunteers raise huge amounts of income for the charity. For example, in 2002/03 £546,000 was contributed by branches towards voyage fee income.

We also thank our loyal members, donors and sponsors who responded so magnificently to the fundraising challenge that we gave them during the year, more than doubling the target that we had set for the cash appeal.

Every year we receive donations, bursaries and grants to the charity from numerous individuals and organisations. Whilst too numerous to list individually, we want to thank a few who have been particularly supportive during the year:

Stavros S Niarchos Foundation	Merseyside Police
Association of Sea Training Organisations	National Lottery Community Fund
Department for Education and Skills	Portsmouth City Council
Dulverton Trust	Rank Foundation
Glasgow City Council	Rotherham Neighbourhood Support Fund
The Grand Charity	Rotherham Partnership SRB Project
HSBC Education Trust	Royal Navy
Inverclyde Council	Scottish Enterprise
Mr J Gardner (deceased)	Trinity House

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FOR THE YEAR ENDED 28 FEBRUARY 2003

Following Sir Robin Knox-Johnston's retirement at the end of 2001, Lord Ambrose Greenway graciously accepted the role of Acting President. We owe particular thanks to him and those Trustees who took responsibility for the subsidiaries and other committees of Council: Ian Carruthers, David Darbyshire, Michael Gretton, David King, Andrew Salvesen and Ian Ventham.

The ships' captains and crew, our staff at the STA's head office and our colleagues at Northern Marine Management have achieved outstanding results in each of their roles. All of us are most grateful to them.

Financial results and funding for the year ended 28 February 2003

The STA ended the year with £10,563,392 in its unrestricted funds and £2,058,568 in its restricted and endowment funds. The overall funds have reduced during the year by £45,792 to £12,621,960 (2002: £12,667,752).

Incoming resources from donations, membership and legacies increased from £485,477 in 2001/02 to £721,034 in 2002/03. However Grants Received reduced year on year because a final grant from the Sport England Lottery Fund of £476,178, received in 2001/02 towards the construction of the brigs, was not repeatable in 2002/03.

Most of the remainder of the change in funds comes from the trading activities of the STA's subsidiaries, as is shown in Note 2:

- STA Tall Ships significantly improved its results achieving a small loss of £5,221 compared with a loss of £172,707 in 2001/02. Total turnover increased over this period by 21% reflecting the innovative voyage programmes and improved marketing over the last two years. The ongoing financial challenge is to improve income, particularly in the winter period, within the constraints of market prices and the need to make as many affordable places as possible available for young people.
- Tall Ships Races (formerly Cutty Sark Tall Ships Races Ltd) earned income of £484,624 from port fees, sponsorship and other activities related mainly to the Cutty Sark Tall Ships' Races 2002 and achieved a profit of £128,585. In accordance with arrangements in place for a number of years, this profit is transferred to a fund of the STA parent company under a covenant restricting it to the purposes of promoting and/or benefiting international sail training.

Most of the unrestricted funds and all of the restricted and endowment funds are held as bank deposits and are appropriately segregated. Accordingly, the Trustees are satisfied that the Charity's assets attributable to each of its individual funds are available and are adequate to fulfil its obligations in relation to those funds. As a result of the Trustees' policy of holding the funds on bank deposit the STA has not been affected by the recent significant down-turn in stock market valuations.

Future financial prospects

As explained in last year's Report, the financial focus of the STA's activities continues to be to increase donations, grants and voyage fees in order to reduce the ongoing shortfall of income resources over operating costs. With the aid in particular of improving operating results from the ships, Council considers that unrestricted resources will maintain acceptable levels during the next financial year.

The STA is a charity dedicated to the personal development of young people and we recognise that the young people for whom the Charity exists and whom it wishes to attract to the ships are those least able to contribute the full cost that is required to keep the ships in service. The central fundraising priority over the past few years has

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been to find the money for the new ships' construction. Now that this has been almost completed, the focus is now on implementing a new Fundraising Strategy, focused on grant making trusts and individual giving, which will provide long-term sustainable income for the charity. We have also launched a new magazine, Aloft, which will keep our members and supporters abreast of developments in the organisation. The Trustees are confident that the strategy will succeed, although they recognise that substantial results will take time to appear.

Economic operation of the ships requires that they should remain in service and earn revenue throughout the year. Whilst ideally young people would form the crews for all voyages, it has to be recognised that the demands of full time education and commitments to employers mean that this is not possible. Where young people are not able to fill these berths, we need to organise voyages for adults, who are thus enabled to contribute towards the charity's mission. The voyage programmes are therefore being designed to increase young people's voyages as far as possible and also to provide innovative and attractive experiences for all ages. As a result of these and other measures, Trustees believe that financial results will improve over the next two years.

The focus is on attracting new funds and on increasing voyage receipts, but costs and potential efficiencies are kept under continuous review with the aim of reducing expenses. However, Council recognises that at all times the two ships must be kept in safe, seaworthy and attractive condition and be equipped and maintained in accordance with United Kingdom national regulations for large vessels carrying young people. The STA, in association with its ship managers, Northern Marine Management Limited, will remain committed to make all essential expenditure to meet these objectives.

As reported above, the business of organising and running the Cutty Sark Tall Ships' Races 2003 was transferred to Sail Training International (Events) CVBA via an asset sale and purchase agreement dated 6 December 2002. The STA currently retains in a restricted fund, called the STA International Fund, an amount of £793,286 arising from donations and covenanted profits over several years. In April 2003, the Council announced a new grants scheme in order to support initiatives that facilitate the personal development of young people (aged 15 to 25) through sail training on tall ships and which have an international dimension. As part of this new grants scheme, we will be subsidising the race entry fees of sail training vessel owners/operators entering the Cutty Sark Tall Ships' Race 2003 (as we did in 2001 and 2002) and we plan to extend this support to the European tall ships' fleet for the races to be organized by Sail Training International in 2004 (Antwerp, Aalborg, Stavanger, Cuxhaven) and in 2005 (Waterford, Cherbourg, Newcastle, Fredrikstad).

The STA's policy with regard to reserves

Council believes that it should establish the STA's reserves at a level sufficient to give future protection to the work of all the people who have accomplished our charitable mission to young people for nearly half a century. Council's policy is therefore to build available assets within the STA's unrestricted funds to an amount of between six months and a full year of operating costs. Council estimates that this amount should be enough to protect our mission against, for example, the possible loss of revenues should one or both of the brigs need to be taken temporarily out of service. In addition, Council wishes to increase the STA's endowments so as to provide income to reduce the dependency of our work on the fluctuating results of recurring fundraising campaigns. Council estimates that it will take at least five years to achieve the level of reserves required by its policy.

The level of assets readily available to assure the future viability of the STA within the unrestricted reserves at 28 February 2003 was about £800,000. This amount is below the level sought by Council and any future losses would erode the reserves further. Council's immediate objective is therefore to balance current income and expenditure and to repay the outstanding balance of the loan for construction of the brigs. In doing so, the STA

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seeks to increase charitable income to a sustainable and recurring level, aiming to finance current operations and build reserves. Council also seeks major benefactors inspired by the mission of developing young people through experience at sea and who may wish to make substantial endowments, in return for appropriate recognition of their generosity.

Organisation

The STA 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 they are elected by resolution of the company in general meeting. The company is administered under the control of the Trustees sitting as the Council of Management and its members may be regarded as the Trustees of the Charity. The Trustees have the general control of and responsibility for the management of the Charity and its subsidiary companies.

The trading operations of the Charity are devolved upon three wholly owned subsidiary companies of the STA, STA Tall Ships Limited, Tall Ships Classics Limited and Tall Ships Races Limited, formerly Cutty Sark Tall Ships' Races Limited.

As well as appointing directors to the subsidiary companies, the Council establishes other committees to deal with different aspects of the Charity's work as necessary. The day-to-day management of the STA is delegated to the chief executive and staff at 2A The Hard, Portsmouth.

Investment powers and investment policy

The Articles of Association give the Trustees the power to invest the monies of the Charity 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.

The current investment policy is that, in view of the present unfavourable stock market conditions, substantially all funds not required for normal day-to-day operations should be held on interest earning bank deposit accounts.

Risk review

The major risks to which the Charity is exposed, as identified by Council, have been reviewed and systems have been established to mitigate those risks.

Connected charities

The following charity is connected with the STA, but is not consolidated within these accounts.

Name	Address	Nature of relationship
Friends of the STA	37 Jewry Street, London, EC3	Supporting charity

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FOR THE YEAR ENDED 28 FEBRUARY 2003

Changes in fixed assets

The movements in fixed assets are set out in note 10.

Trustees' responsibilities for the financial statements

Company law requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the financial activities of the charitable company and its subsidiaries during the year and of their financial position at the end of the year. In preparing those financial statements, the Trustees should follow best practice and:

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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charitable company and its subsidiaries and which enable them to ascertain their financial position and to ensure that the financial statements comply with the Companies Act 1985, the Charities Act 1993 and regulations there under. They are also responsible for safeguarding the assets of the charitable company and its subsidiaries and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE TRUSTEES



Lord Greenway

Vice President of the Council

20 May 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE SAIL TRAINING ASSOCIATION

We have audited the financial statements of The Sail Training Association for the year ended 28 February 2003 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated summary income and expenditure account, the balance sheets, the consolidated cash flow statement and notes 1 to 26 on pages 19 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Charity's Trustees in accordance with Section 43(2) of the Charities Act 1993. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' 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 Trustees, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Trustees are also the directors of The Sail Training Association for the purposes of company law. Their responsibilities for preparing the Trustees' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of Trustees' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 28 February 2003 and of the incoming resources and application of resources, including its income and expenditure for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

PORTSMOUTH
20 May 2003

THE SAIL TRAINING ASSOCIATION

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards, and follow the recommendations in the Statement of Recommended Practice: Accounting by Charities (the SORP) issued in October 2000. They have been prepared under the historical cost convention except that listed investments are valued at market value.

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 11) drawn up to 28 February 2003.

The results of the charity's trading subsidiaries, Tall Ships Races Limited (formerly Cutty Sark Tall Ships' Races Limited), STA Tall Ships Limited, Tall Ships 2000 Limited and Tall Ships Classics Limited have been incorporated on a line by line basis. Surpluses or deficits on intra group transactions are eliminated in full.

BRANCHES

The financial statements of the charity incorporate those of all funds and branches which are governed by the terms of the Memorandum and Articles of Association. The branches of the charity prepared accounts to 31 December 2002.

INCOMING RESOURCES

Voyage and Port Fees

Voyage and port fees are accounted for in the year in which the event takes place.

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.

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

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PRINCIPAL ACCOUNTING POLICIES

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.

Investment income

Investment income, including associated income tax recoveries, is recognised when receivable.

RESOURCES EXPENDED

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

- ☐ expenditure incurred directly to the fulfilment of the charity's objectives (direct charitable)
- ☐ expenditure incurred directly in the effort to raise voluntary contributions (fund-raising and publicity); and
- ☐ expenditure incurred in the management and administration of the charity.

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.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation, net of depreciation. The costs of the new ships, including finance costs, insurance, towage, design, port fees, professional fees, shipyard supervision, sea trials and training costs are capitalised. No depreciation is charged during the period of construction.

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 rates generally applicable are:

Sail Training Ships	25 years
Fixtures, fittings and equipment	100%
Motor vehicles and Display Equipment	25% reducing balance
Computers	20% straight line

THE SAIL TRAINING ASSOCIATION

PRINCIPAL ACCOUNTING POLICIES

INVESTMENTS

Assets held for investment purposes are valued at market value at the Balance Sheet date.

Traded securities are valued at the mid-point quotation in the Stock Exchange Daily List.

Other investment assets are included at valuers' best estimate of market value.

STOCKS

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

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.

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.

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 term.

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 28 FEBRUARY 2003

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2003 £	Total 2002 £
Incoming resources						
Donations, membership & legacies		581,576	139,458	-	721,034	485,477
Activities in furtherance of the charity's objectives:						
Grants received	1	76,165	-	-	76,165	523,678
Income from subsidiaries	2	2,153,841	-	-	2,153,841	1,791,393
Income from branches	3	35,693	-	-	35,693	55,423
Investment income & interest	4	33,957	24,898	31,447	90,302	102,375
Total incoming resources		<u>2,881,232</u>	<u>164,356</u>	<u>31,447</u>	<u>3,077,035</u>	<u>2,958,346</u>
Resources expended						
Costs of generating funds						
Fundraising (including publicity)		75,223	-	-	75,223	52,908
Charitable expenditure:						
Direct charitable expenditure	5	2,557,950	132,543	-	2,690,493	2,449,153
Management, administration and finance costs		357,111	-	-	357,111	314,409
Total resources expended	5	<u>2,990,284</u>	<u>132,543</u>	<u>-</u>	<u>3,122,827</u>	<u>2,816,470</u>
Net (outgoing)/incoming resources before transfers		(109,052)	31,813	31,447	(45,792)	141,876
Transfers between funds	17-19	(97,717)	128,585	(30,868)	-	-
Net (outgoing)/incoming resources for the year		(206,769)	160,398	579	(45,792)	141,876
Fund balances brought forward at 1 March 2002		<u>10,770,161</u>	<u>941,466</u>	<u>956,125</u>	<u>12,667,752</u>	<u>12,525,876</u>
Fund balances carried forward at 28 February 2003		<u>10,563,392</u>	<u>1,101,864</u>	<u>956,704</u>	<u>12,621,960</u>	<u>12,667,752</u>

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

THE SAIL TRAINING ASSOCIATION

CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 2003

	Note	2003 £	2003 £	2002 £	2002 £
Gross income from charity			891,747		1,134,778
Gross income from activities of subsidiaries					
Continuing		1,669,217		1,390,906	
Discontinued		484,624		400,487	
Gross income from activities of subsidiaries	2		2,153,841		1,791,393
Total income			3,045,588		2,926,171
Total expenditure					
Continuing		2,752,255		2,439,286	
Discontinued		370,562		376,179	
			3,122,827		2,815,465
Net (outgoings)/income for the year before transfers					
Continuing		(191,301)		86,398	
Discontinued		114,062		24,308	
			(77,239)		110,706

Total income comprises £2,881,232 (2002: £2,597,339) for unrestricted funds and £164,356 (2002: £328,832) for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities.

Turnover of trading activities amounted to £2,153,841 (2002: £1,791,393). A detailed analysis of trading results is shown in note 2.

During the year Tall Ships Races Limited sold the business of organising and running the Cutty Sark Tall Ships Race 2003. The associated income and expenditure has been classified as "Discontinued" above.

Detailed analysis of expenditure is provided in the statement of financial activities and note 5.

The summary income and expenditure account is derived from the statement of financial activities on page 15 and excludes all income and expenditure on the endowment funds. The statement of financial activities together with the notes on pages 19 to 30, provides full information on the movements during the year on all the funds of the Charity.

THE SAIL TRAINING ASSOCIATION

BALANCE SHEETS AT 28 FEBRUARY 2003

		STA & Subsidiaries		STA Charity	
	Note	2003	2002	2003	2002
		£	£	£	£
Fixed assets					
Tangible assets	10	10,387,974	10,663,586	10,386,905	10,662,157
Investments	11	-	-	160,405	160,402
		<u>10,387,974</u>	<u>10,663,586</u>	<u>10,547,310</u>	<u>10,822,559</u>
Current assets					
Stocks		10,592	2,330	2,928	-
Debtors	12	227,656	129,156	261,733	83,926
Investments	13	37,639	38,517	37,639	38,517
Cash at bank and in hand		<u>3,295,523</u>	<u>3,939,229</u>	<u>2,943,881</u>	<u>3,236,868</u>
		<u>3,571,410</u>	<u>4,109,232</u>	<u>3,246,181</u>	<u>3,359,311</u>
Creditors: amounts falling due within one year	14	<u>930,362</u>	<u>1,198,004</u>	<u>580,165</u>	<u>423,436</u>
Net current assets		<u>2,641,048</u>	<u>2,911,228</u>	<u>2,666,016</u>	<u>2,935,875</u>
Total assets less current liabilities		<u>13,029,022</u>	<u>13,574,814</u>	<u>13,213,326</u>	<u>13,758,434</u>
Creditors: amounts falling due after one year	15	<u>407,062</u>	<u>907,062</u>	<u>407,062</u>	<u>907,062</u>
		<u>12,621,960</u>	<u>12,667,752</u>	<u>12,806,264</u>	<u>12,851,372</u>
Capital	19	100,000	100,000	100,000	100,000
Capital funds					
Endowments	17	956,704	956,125	956,704	956,125
Income funds					
Restricted funds	18	1,101,864	941,466	1,101,864	941,466
Unrestricted funds:					
Designated funds	19	495,720	552,417	495,720	552,417
General	19	<u>9,967,672</u>	<u>10,117,744</u>	<u>10,151,976</u>	<u>10,301,364</u>
		<u>12,621,960</u>	<u>12,667,752</u>	<u>12,806,264</u>	<u>12,851,372</u>

The financial statements were approved by the Trustees on 20 May 2003.



Lord Greenway Vice President of the Council

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

THE SAIL TRAINING ASSOCIATION

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2003

	2003	2002
	£	£
Net cash (outflow)/inflow from operating activities (see below)	(181,867)	517,636
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(23,939)	(115,771)
Purchase of investments	-	(5,132)
Sale of investments	-	4,000
Net cash outflow from investing activities	(23,939)	(116,903)
Acquisitions and disposals		
Exceptional item		
Payment on disposal of discontinued operations	(187,900)	-
Net cash outflow from acquisitions and disposals	(187,900)	-
Financing		
Receipts from borrowing	-	397,062
Repayment of borrowing	(250,000)	-
Net cash (outflow)/inflow from financing	(250,000)	397,062
(Decrease)/Increase in cash	(643,706)	797,795
Net cash (outflow)/inflow from operating activities		
Net (outgoing)/incoming resources	(45,792)	141,876
Depreciation	299,551	296,174
Loss on disposal of discontinued operations	60,400	-
(Increase)/decrease in Stocks	(8,262)	1,082
(Increase)/decrease in Debtors	(97,622)	468,011
(Decrease) in Creditors	(390,142)	(389,507)
	(181,867)	517,636

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

1 GRANTS

Material grants receivable during the year were as follows:

		2003 £	2002 £
Category	Source		
Youth Work	Department for Education and Skills	37,415	15,000
Youth Work	Association of Sea Training Organisations	38,750	32,500
New Ship	Sport England Lottery Fund	-	476,178
		<u>76,165</u>	<u>523,678</u>

2 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES

A summary of the results of the subsidiaries is set out below:

	STA Tall Ships Ltd £	Tall Ships Races Ltd & Tall Ships 2000 £	Tall Ships Classics Ltd £	Total 2003 £	Total 2002 £
Turnover	1,767,205	484,624	-	2,251,829	1,869,907
Less: Income transferred from STA	(97,988)	-	-	(97,988)	(78,514)
	<u>1,669,217</u>	<u>484,624</u>	<u>-</u>	<u>*2,153,841</u>	<u>1,791,393</u>
Operating charges					
Direct Charitable	(1,780,610)	(274,509)	-	(2,055,119)	(2,015,518)
Exceptional Items					
Loss on disposal of discontinued operations	-	(95,706)	-	(95,706)	-
	<u>(111,393)</u>	<u>114,409</u>	<u>-</u>	<u>3,016</u>	<u>(224,125)</u>
Operating profit/(loss)					
Interest receivable	8,184	14,526	-	22,710	31,807
	<u>(103,209)</u>	<u>128,935</u>	<u>-</u>	<u>25,726</u>	<u>(192,318)</u>
Net (loss)/profit					
less: Covenanted payment - STA	-	(128,585)	-	(128,585)	(59,288)
Add: Income transferred from STA	97,988	-	-	97,988	78,514
	<u>(5,221)</u>	<u>350</u>	<u>-</u>	<u>(4,871)</u>	<u>(173,092)</u>
Retained in subsidiary					

* See Income from Subsidiaries shown on the Consolidated Statement of Financial Activities.

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

2 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES (CONTINUED)

The net assets and liabilities of the subsidiaries were:

	STA Tall Ships Ltd £	Tall Ships Races Ltd & Tall Ships 2000 £	Tall Ships Classics Ltd £	Total 2003 £	Total 2002 £
Fixed and Current assets	329,186	340,955	1,000	671,141	837,169
Creditors: amounts falling due within one year	(493,939)	(203,250)	-	(697,189)	(860,385)
Total net (liabilities)/assets	<u>(164,753)</u>	<u>137,705</u>	<u>1,000</u>	<u>(26,048)</u>	<u>(23,216)</u>
Aggregate of share capital and reserves	<u>(164,753)</u>	<u>137,705</u>	<u>1,000</u>	<u>(26,048)</u>	<u>(23,216)</u>

3 BRANCHES

The financial results of the branches of STA are consolidated into these accounts on the basis of returns submitted by each branch. Of the total amount raised by branches more than £546,559 (2002: £535,126) is recorded in the statement of financial activities as voyage fees with the amount of £35,693 (2002: £55,423) being income not directly expended on voyage fees.

4 INVESTMENT INCOME

	2003 £	2002 £
Investment income comprises income from:		
Listed investments	736	924
Bank deposits	<u>89,566</u>	<u>101,451</u>
	<u>90,302</u>	<u>102,375</u>

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

5 ANALYSIS OF RESOURCES EXPENDED

	2003 £	2002 £
Cost of generating funds		
Fundraising	75,223	52,908
Charitable Expenditure		
Direct Charitable Expenditure		
Subsidiaries' operating costs	2,150,825	1,980,723
Depreciation of Ships	283,732	282,842
Branch expenses	92,390	80,994
Youth work	31,003	34,795
Voyage Fees and Other Costs paid from restricted and endowment funds	132,543	69,799
Management, Administration & Finance Costs		
Charity overhead expenses	320,742	264,877
Net interest payable on bank loan	36,369	49,532
Total Resources Expended	3,122,827	2,816,470
Total resources expended include:		
Auditors remuneration		
Audit services	20,725	15,500
Non-Audit services	5,122	9,175
Depreciation and amortisation		
Tangible fixed assets, owned	299,551	296,174
Operating lease rental	25,218	22,138

6 EMPLOYEES

Employee costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	357,479	327,038
Social security costs	34,174	31,227
Other pension costs	24,885	22,934
	416,538	381,199

The average number of employees during the year were as follows:

	2003	2002
STA and STATS	13	11
Tall Ships Races	3	4
TOTAL	16	15

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

The emoluments of one employee fell within the range £50,000 to £60,000 during both years.

7 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. Subsequent to Mr T Allen's resignation as a Trustee on 27th September 2002 he received a payment for consultancy services of £8,000 plus associated expenses of £1,996 from the STA's subsidiary Tall Ships Races Limited relating to the transfer of the business of organising and running the Cutty Sark Tall Ships Races 2003.

Expense reimbursements paid to 9 (2002: 3) Trustees during the year in total amounted to £3,844 (2002: £1,175) and can be analysed as follows:

	2003 £	2002 £
Travel and Subsistence	<u>3,844</u>	<u>1,175</u>

8 CHANGES IN RESOURCES AVAILABLE FOR CHARITY USE

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2003 £	Total 2002 £
Net increase/(decrease) in funds for the year	(206,769)	160,398	579	(45,792)	141,876
Net increase/(decrease) in tangible fixed assets	<u>(275,612)</u>	-	-	<u>(275,612)</u>	<u>(180,403)</u>
Net movement in funds available for future activities	<u>(482,381)</u>	<u>160,398</u>	<u>579</u>	<u>(321,404)</u>	<u>(38,527)</u>

9 SURPLUS OF INCOME OVER EXPENDITURE

The charity has taken advantage of Section 230 of the Companies Act 1985 and has not included its own income and expenditure account in these financial statements. The deficit of income over expenditure for the year includes £45,108 (2002: £317,085 surplus) that is dealt with in the financial statements of the charity.

Details of the results of the trading subsidiaries are set out in note 2.

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

10 TANGIBLE FIXED ASSETS

STA & Subsidiaries	Ships £	Computers, Motor Vehicles and Display Equipment £	Total £
Cost or valuation			
At 1 March 2002	11,071,093	77,428	11,148,521
Additions	6,431	17,508	23,939
At 28 February 2003	11,077,524	94,936	11,172,460
Depreciation			
At 1 March 2002	427,842	57,093	484,935
Provided in the year	283,732	15,819	299,551
At 28 February 2003	711,574	72,912	784,486
Net book amount at 28 February 2003	<u>10,365,950</u>	<u>22,024</u>	<u>10,387,974</u>
Net book amount at 28 February 2002	<u>10,643,251</u>	<u>20,335</u>	<u>10,663,586</u>

STA charity	Ships £	Computers & Display Equipment £	Total £
Cost or valuation			
At 1 March 2002	11,071,093	66,261	11,137,354
Additions	6,431	17,508	23,939
At 28 February 2003	11,077,524	83,769	11,161,293
Depreciation			
At 1 March 2002	427,842	47,355	475,197
Provided in the year	283,732	15,459	299,191
At 28 February 2003	711,574	62,814	774,388
Net book amount at 28 February 2003	<u>10,365,950</u>	<u>20,955</u>	<u>10,386,905</u>
Net book amount at 28 February 2002	<u>10,643,251</u>	<u>18,906</u>	<u>10,662,157</u>

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

The Ships' net book amount consists of:

	2003 £	2002 £
Stavros S Niarchos (Brig)	5,220,700	5,364,402
Prince William (Brig)	5,145,250	5,278,849

Included in the Ships category is £111,754 of capitalised interest, of which £nil was capitalised in the year (2002: £20,513).

11 FIXED ASSET INVESTMENTS

	STA & Subsidiaries		STA Charity	
	2003 £	2002 £	2003 £	2002 £
Investment in Subsidiary undertakings	-	-	160,405	160,402

At 28 February 2003 the charity had interests in the following associated undertakings:

Name of subsidiary undertaking	Country of incorporation	Class of share capital held	Proportion held by the charity	Nature of business
Tall Ships Races Limited (Formerly Cutty Sark Tall Ships' Races Limited)	England & Wales	Ordinary	100%	Development and promotion of sail training internationally
STA Tall Ships Limited	England & Wales	Ordinary	100%	Tall Ships Operation
Tall Ships 2000 Limited	England & Wales	Ordinary	100%	Development and promotion of sail training internationally
Tall Ships Classics Limited	England & Wales	Ordinary	100%	Merchandise operation
Tall Ships Events Limited	England & Wales	Ordinary	100%	Dormant
Tall Ships Limited	England & Wales	Ordinary	100%	Dormant
International STA Limited	England & Wales	Ordinary	100%	Dormant

All of the subsidiary undertakings have been consolidated in these financial statements.

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

12 DEBTORS

	STA & Subsidiaries		STA Charity	
	2003	2002	2003	2002
	£	£	£	£
Trade Debtors	43,363	83,968	-	-
Amounts owed by group undertakings	-	-	254,417	77,852
Other debtors	177,677	13,505	2,458	2,403
Prepayments	6,616	31,683	4,858	3,671
	<u>227,656</u>	<u>129,156</u>	<u>261,733</u>	<u>83,926</u>

13 CURRENT ASSET INVESTMENTS

	STA & Subsidiaries		STA Charity	
	2003	2002	2003	2002
	£	£	£	£
Listed investments	13,237	13,899	13,237	13,899
Unlisted investments	24,402	24,618	24,402	24,618
	<u>37,639</u>	<u>38,517</u>	<u>37,639</u>	<u>38,517</u>

Listed investments are stated at their mid market value as at the balance sheet date.

Unlisted investments have been valued at cost.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	STA & Subsidiaries		STA Charity	
	2003	2002	2003	2002
	£	£	£	£
Bank loan	500,000	250,000	500,000	250,000
Payments on account	151,621	647,179	-	-
Trade creditors	26,381	48,720	6,319	39,903
Amounts owed to group undertakings	-	-	1,003	7,964
Social Security and other taxes	13,080	29,322	2,141	-
Pension contributions	-	6,854	-	-
Other creditors and accruals	239,280	215,929	70,702	125,569
	<u>930,362</u>	<u>1,198,004</u>	<u>580,165</u>	<u>423,436</u>

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	STA & Subsidiaries		STA Charity	
	2003	2002	2003	2002
	£	£	£	£
Bank loan	<u>407,062</u>	<u>907,062</u>	<u>407,062</u>	<u>907,062</u>

The bank loan is secured by a fixed charge over the second brig - Prince William, following its delivery on 16 March 2001, and a floating charge over the assets of the company. The fixed charge over Stavros S Niarchos was released in June 2001. The loan is repayable in £250,000 instalments commencing in September 2002.

16 BORROWINGS

Borrowings are repayable as follows:

	STA & Subsidiaries		STA Charity	
	2003	2002	2003	2002
	£	£	£	£
Within one year				
Bank and other borrowings	500,000	250,000	500,000	250,000
After one and within two years				
Bank and other borrowings	407,062	500,000	407,062	500,000
After two and within five years				
Bank and other borrowings	-	407,062	-	407,062
	<u>907,062</u>	<u>1,157,062</u>	<u>907,062</u>	<u>1,157,062</u>

17 ENDOWMENTS

	Andrew Salvesen	Michael Crocker	Nova Scotia	Lord Burnham	McRobert Trust	Peacock Trust	Total
At 1 March 2002	900,000	8,171	8,150	14,804	20,000	5,000	956,125
Incoming resources	30,034	203	564	376	667	167	32,011
Outgoing resources	-	-	(564)	-	-	-	(564)
Transfers	(30,034)	-	-	-	(667)	(167)	(30,868)
	<u>900,000</u>	<u>8,374</u>	<u>8,150</u>	<u>15,180</u>	<u>20,000</u>	<u>5,000</u>	<u>956,704</u>
At 28 February 2003	900,000	8,374	8,150	15,180	20,000	5,000	956,704

The Andrew Salvesen Fund was established in November 1999 with a donation from the Andrew Salvesen Charitable Trust. The capital sum of £900,000 must be invested by the Sail Training Association with income being applied (by the STA) exclusively to fund the costs of STA Tall Ships Limited (ship costs and overheads), whilst STA Tall Ships Limited remains responsible for the management and professional operation of the sail training ships.

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

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 STA's ships for trainees ideally but not exclusively from Eastern Europe.

The McRobert Trust was donated in order to be used for bursaries to benefit young people on STA voyages. The Peacock Trust was donated to provide a new bursary scheme. Both Trusts have been donated under the same terms as the Andrew Salvesen Fund.

18 RESTRICTED FUNDS

	Specific funds £	International fund £	Total £
At 1 March 2002	138,111	803,355	941,466
Incoming resources	139,004	25,352	164,356
Expenditure	(94,126)	(38,417)	(132,543)
Transfers	-	128,585	128,585
	<u>182,989</u>	<u>918,875</u>	<u>1,101,864</u>
At 28 February 2003			

The Specific Funds are small restricted gifts to the Charity donated over a period of several years. At 28 February 2003 there were 44 (2002: 33) separate funds.

The International fund is restricted within the accounts of the charity for international sail training activities.

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

19 UNRESTRICTED FUNDS

	Capital funds £	Designated funds £	General £	Total £
STA & Subsidiaries				
At 1 March 2002	100,000	552,417	10,117,744	10,770,161
Incoming resources	-	35,693	2,845,539	2,881,232
Expenditure	-	(92,390)	(2,897,894)	(2,990,284)
Transfers	-	-	(97,717)	(97,717)
At 28 February 2003	100,000	495,720	9,967,672	10,563,392
STA Charity				
At 1 March 2002	100,000	552,417	10,301,364	10,953,781
Incoming resources	-	35,693	668,987	704,680
Expenditure	-	(92,390)	(849,243)	(941,633)
Transfers	-	-	30,868	30,868
At 28 February 2003	100,000	495,720	10,151,976	10,747,696

The designated funds are those raised and managed by the volunteer branch network, which are designated for the use of the volunteer branches. The income is expended largely on Voyage fees for young trainees, with branches also having minor fund-raising and administrative expenditure.

The transfers between funds represent the amounts transferred from the Endowment funds (see note 17) into Unrestricted Funds offset by the amount transferred from Unrestricted to Restricted funds relating to the covenanted payments of the profits of Tall Ships Races Limited.

20 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Designated funds £	Restricted funds £	Endowment funds £	Total £
STA & Subsidiaries					
Tangible fixed assets	10,387,974	-	-	-	10,387,974
Current assets	1,017,122	495,720	1,101,864	956,704	3,571,410
Current liabilities	(930,362)	-	-	-	(930,362)
Creditors after one year	(407,062)	-	-	-	(407,062)
	10,067,672	495,720	1,101,864	956,704	12,621,960

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

	Unrestricted funds £	Designated funds £	Restricted funds £	Endowment funds £	Total £
STA Charity					
Tangible fixed assets	10,386,905	-	-	-	10,386,905
Investments	160,405	-	-	-	160,405
Current assets	691,893	495,720	1,101,864	956,704	3,246,181
Current liabilities	(580,165)	-	-	-	(580,165)
Creditors after one year	(407,062)	-	-	-	(407,062)
	<u>10,251,976</u>	<u>495,720</u>	<u>1,101,864</u>	<u>956,704</u>	<u>12,806,264</u>

21 ANALYSIS OF CHANGES IN NET DEBT

	At 1 March 2002 £	Cash Flows £	Other changes £	At 28 February 2003 £
Net Debt				
Cash at bank, in hand	3,939,229	(643,706)	-	3,295,523
Debt due within 1 year	(250,000)	-	(250,000)	(500,000)
Debt due after 1 year	<u>(907,062)</u>	<u>250,000</u>	<u>250,000</u>	<u>(407,062)</u>
Total	<u>2,782,167</u>	<u>(393,706)</u>	<u>-</u>	<u>2,388,461</u>

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £	2002 £
(Decrease)/Increase in cash in the period	(643,706)	797,795
Repayment of loan	250,000	-
Receipt of loan	<u>-</u>	<u>(397,062)</u>
Change in net debt	(393,706)	400,733
Net debt at 1 March 2002	<u>2,782,167</u>	<u>2,381,434</u>
Net funds at 28 February 2003	<u>2,388,461</u>	<u>2,782,167</u>

THE SAIL TRAINING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2003

23 CAPITAL COMMITMENTS

There were no capital commitments at 28 February 2003 or 28 February 2002. No amounts were authorised but not yet contracted for.

24 CONTINGENT LIABILITIES

Neither the STA Charity nor its subsidiary companies had any contingent liabilities at 28 February 2003 or 28 February 2002.

25 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 STA Charity or its subsidiary companies.

26 LEASING COMMITMENTS

Operating lease payments amounting to £26,156 (2002: £36,870) are due within one year. The leases to which these amounts relate expire as follows:

	2003		2002	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	-	2,544	-	-
Between one and five years	19,500	4,112	27,250	9,620
	<u>19,500</u>	<u>6,656</u>	<u>27,250</u>	<u>9,620</u>