

TALL SHIPS YOUTH TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

28 FEBRUARY 2007

Company Number: 567460

Charity Number: 314229

TALL SHIPS YOUTH TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

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TALL SHIPS YOUTH TRUST

LEGAL AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2007

Tall Ships Youth Trust is a company limited by guarantee.

Company Registration No: 567460

Charity Registration No: 314229

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

Patron: His Royal Highness The Duke of York, KG, KCVO, ADC

Vice Patrons: Rt Hon Lord Butler of Brockwell KG, GCB, CVO
Mr D de Laszlo (appointed 14 September 2006)
Mr M A C Drummond OBE, DL, JP
Mr M Grade CBE
Gen Sir Patrick Howard-Dobson GCB (resigned 20 June 2006)
Mr M Kington (appointed 21 March 2006)
Mr A C Salvesen
Mr M E Slade (appointed 20 June 2006)
Mr B A Stewart
Mrs C Williams

Trustees who served at any time during the financial year and including changes in the period to 15 May 2007 are as follows:-

Trustees: Mr M Jay CBE DL (Chairman)
Mr M P Aiken (appointed 21 March 2006)
Mr T P Allen
Mr M Broughton (appointed 15 May 2007)
Mr I A Carruthers
Mr P F Coleman (appointed 13 March 2007)
Mr J A F Cowderoy (resigned 21 March 2006)
Mr D Darbyshire
Mr M R Dixon
Mr W M Garnett
Lord Greenway
Vice Admiral M Gretton CVO
Mr G W Pritchard-Gordon
Mr S J Roberts
Mr I R Ventham (resigned 20 June 2006)
Mr R H Williams

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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: Blake Lapthorn Tarlo Lyons
Harbour Court
Compass Road, North Harbour
Portsmouth
PO6 4ST

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
1 Dorset Street
Southampton
SO15 2DP

Investment Managers: Bell Lawrie Investment Management
PO Box No 8
7 Drumsheugh Gardens
Edinburgh
EH3 7QH

TALL SHIPS YOUTH TRUST

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2007

The Trustees present their report and the audited financial statements for the year ended 28 February 2007. These comply with the Accounting and Reporting by Charities: Statement of Accounting Practice (revised 2005).

Objects and Powers

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

Review of Activities

The Tall Ships Youth Trust had another successful year in 2006/07. Its two 493 gross ton square-rigged brigs operated 12 months of the year, carrying 3% more young people than the previous year.

Five Years of Achievement

Our Golden Jubilee year saw a continuation of the remarkable rejuvenation of our charity which started five years ago. Since then:

- The number of individuals sailing has doubled to over 3,000 a year
- The Trust's education and youth services have been nationally accredited
- New and unique young people initiatives have been introduced, for example:-
 - Tall Ships Academy (training and development programme for young people recommended to come back as volunteers on the ships).
 - Youth Mentor Scheme (professionally qualified teachers and youth workers sailing as volunteers to provide support and direction to young trainees on board)
 - Voyages of Understanding® (multi-national/cultural/faith, diversity voyages)
- The Trust's two 120 ft schooners have been replaced by two new 200 ft brigs, built on time, on budget and virtually paid for at a cost of £11M
- Income has been driven up from the ships (£1.2M increased to £1.8M) and from day to day fundraising activity (£100K increased to £420K) whilst the relative staff cost of generating this income has fallen by 10%.
- Improvements in internal organisation and efficiency mean that the Trust is more professionally managed and provides better value for money

We thank all of those who have contributed to these remarkable achievements.

Charitable Mission – Young People

Young people and sail training are central to everything we do and we pride ourselves on our excellent reputation for providing a good quality service to young people.

Our philosophy means that young people and our duty of care towards them always take priority: from inviting young people to help us develop new initiatives to training crew on how to manage challenging young people; from encouraging young people to support each other in achieving their goals to declaring zero tolerance on unacceptable language and behaviour. Underpinning this general philosophy and approach, we have well structured and appropriate policies and practices including a child protection policy, code of conduct and drug and alcohol policy.

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Charitable Mission – Young People (continued)

Voyages have a significant impact on young people's lives, in particular four major outcomes:

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

Recent statistical evaluations, which have been externally validated by VT Education (an independent, specialist consultant), provide empirical evidence for some of these:

- Over 70% of young people say that their problem solving skills improve after a voyage
- Over 80% say that they are better communicators
- Over 90% say that they are better team players

Taking into account the total expenditure of the Trust, including Tall Ships Limited, the cost per young person per voyage night is around £100. The Trustees believe that this demonstrates that our brigs provide both a valuable and cost effective medium for supporting the personal development of young people.

Further evaluations of outcomes for young people are under way including working with Loughborough University (funded by the HSBC Global Education Trust) on a research project measuring impact up to three years after voyages.

The Trust's Voyages of Understanding® continue to add another international dimension to our work, integrating young people from different countries and backgrounds. These diversity voyages bring together young people in an environment where they can challenge their own preconceptions and prejudices about race, faith and culture. Voyages have seen Palestinians sailing with Israelis and Americans, Muslims from Bali with Christians from the UK, Turkish Cypriots with Greek Cypriots.

With the ships now sailing all over the world, the spirit of international friendship on board continues to grow. During 2006/2007, for example, in addition to the thousands of UK young people who sailed on our ships, there were young people from Ireland, Portugal, Cyprus, Greece, Spain, USA, Canada, Somalia, Zimbabwe, Italy, France, Sweden, Australia and Germany. Young people from Madeira and the Azores joined youth voyages around the Atlantic Islands.

The HSBC Global Education Trust also sponsored a truly international Voyage of Understanding involving young university students from 10 countries: South Korea, India, USA, Brazil, Mexico, UK, Russia, Egypt, China and South Africa.

We would like to thank all of the statutory, private and voluntary organisations around the world that have worked with us to enable so many young people to benefit from one of our voyages.

In addition to developing the scope and variety of our work with young people, we are also committed to increasing the total number of young people benefiting from our work. In 2006/07, over 1,500 young people sailed more than 11,500 voyage nights on our voyages, a 3% increase on the previous year.

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Charitable Mission – Young People (continued)

Other statistics for 2006/07 indicate some interesting underlying trends. For example, more young adults are choosing to sail on 18+ voyages rather than on 16-25 year old voyages (28% of young people in 2006/07 compared to 25% the previous year). As a result, an increasing proportion of 18+ voyage berths (22%) are filled by 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.

In terms of demographic breakdown, 22% of our young people are disadvantaged (much higher than the national average), 47% are female, 6% are non white and 11% are non UK.

One of the Trust's most significant developments for young people in 2006/07 was the trial of a 14-15 year old voyage. We worked with the Maritime and Coastguard Agency, insurers and Portsmouth City Council on a detailed risk assessment as part of the planning process and then completed a thorough debrief after the voyage involving the young people, parents, salaried and volunteer crew. The voyage proved a resounding success and allowed a blueprint to be developed for future voyages, five of which are planned for spring/summer 2007.

The Trust has exciting new plans for further expanding its work with young people in 2007/08 and beyond. These include developing more active partnerships with other youth organisations, particularly those for young carers and for young disabled people.

Tall Ships Academy

At the beginning of 2006 we launched a new training programme for young people, endorsed by the Royal Yachting Association (RYA) and Maritime and Coastguard Agency (MCA), 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 ships and then, for those who wish it, onto a career at sea.

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.

The programme formalises the existing on board training for our ships' volunteers - working with young people, ship familiarisation and safety training – and adds to it the syllabus of the RYA Watch Leader Certificate and the MCA Yacht Rating Certificate. Assessment uses a Training Record log book which tracks competencies as defined in a detailed Instruction Manual.

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Strategic Review

Three years ago, a Strategic Review, led by the Trustees and Chief Executive, agreed a framework for the charity for the next few years and established a Statement of Purpose, Vision and Values. Each year we review the Statement and we did so again in 2006/07, reaffirming our Purpose as “the personal development of young people through the crewing of Tall Ships”. We agreed that we would deliver this by:

- Focusing largely on young people aged 16 to 25
- Encouraging diversity by adopting an inclusive recruitment policy whilst mindful of accessibility issues
- Recruiting predominantly from the UK but enabling a multi-national mix

We agreed that our vision for the Trust was “to be the leader in youth development through the Tall Ships experience” and we established a set of underlying values: In all we do and say, the Trust will:

- 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 ships safely and to the highest standards
- Communicate effectively and openly

As part of a wider review of vision and future structure, the Trust took the opportunity in 2006/07 to explore the option of merging with Jubilee Sailing Trust (JST). The two Chief Executives wrote a Joint Report for the Trustees, outlining the benefits and disadvantages and recommending that the Trustees progress discussions to the next stage. The Trust’s Trustees voted to move forward but JST’s Trustees decided that the two charities should not merge so the matter rests.

We have been and will continue to be looking at other options so that the Trust can continue to successfully deliver its charitable mission.

The Trust’s Ships - Stavros S Niarchos and Prince William

As the year began, Stavros S Niarchos was completing her 2005/06 winter in the Caribbean before sailing back across the Atlantic in April for a month in the Azores and then heading north, via Ireland, back to the UK’s south coast to meet up with Prince William for the Golden Jubilee Event in Torbay at the end of June.

In July Stavros S Niarchos sailed to the Mediterranean and stayed for two months in the Italian Riviera, based in Gaeta. In October she headed for the Balearics and then on to the Canaries where she stayed for four months, finally returning to the UK in April. As we write, she is just beginning her busy summer schedule of youth voyages including several Young Explorer voyages for 14-15 year olds.

Meanwhile, Prince William came to the end of her 2005/06 winter in the Canaries and then headed to the Balearics for a month before working her way back to the UK for the end of June and the Golden Jubilee Event in Torbay and a busy summer around the UK and northern Europe.

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The Trust's Ships - Stavros S Niarchos and Prince William (continued)

The decision to base one of the ships in the UK for winter 2006/07 was taken after a detailed review of alternative deployments. In summary, although predicted voyage fee income for a Caribbean programme was high, so were predicted costs. As a result, a UK programme of day sails and short taster voyages was developed. This included visits to numerous ports including Liverpool, Cardiff, Cork and Dublin with a secondary agenda of securing contracts with the ports for 2007/08.

In the event, the weather proved hostile leading to the cancellation of a number of day sails due to storms and low numbers. Despite this, by careful control of costs, the financial result was no worse than had been predicted for a Caribbean programme and the strategy of securing port contracts for 2007/08 proved very successful.

By the end of February 2007, Prince William was heading south to the Azores and west across the Atlantic in April. As we write, she is taking centre stage in the American Sail Training Association Tall Ships Challenge, sailing through Charleston, Wilmington, Norfolk, Philadelphia, Portsmouth, Newport Rhode Island and Halifax.

Both of the Trust's ships are Auxiliary Coastguards Afloat, an honour only given to a few vessels by the Maritime and Coastguard Agency, reflecting the high professional standards on board. This means that as well as an intensive schedule of voyages and port visits, our ships are regularly asked to help rescue fellow seafarers. We congratulate our exceptional salaried crew for their courage and outstanding seamanship skills which enable them to perform this duty so admirably.

We also thank the many organisations and individuals who help us to recruit and fund our young people. A special thank you goes to Giles Pritchard-Gordon who has donated over £100K of bursaries in recent years to subsidise those who otherwise would not be able to afford the experience.

The vital task remains to maximise income generated from the ships whilst at the same time keeping costs to a minimum, a particularly challenging task in 2006/07.

Income from the ships was 8% down on the previous year, largely as a result of the first and final quarters. These difficult trading conditions were felt across the UK sail training fleet. The executive team continues to work hard to find new ways to generate income from the ships such as the Sponsor a Berth scheme and the introduction of fuel and port surcharges. Another example is that discussions in 2006/07 with various ports and maritime events around the world have secured some £150K of new income for 2007/08.

Overall, costs were held to a less than 1% increase year on year, with savings in all Head Office categories and through a series of initiatives on the ships to balance the reduction in income in 2006/07. One example of this is a new way of operating the generators developed by one of our engineers which reduced fuel consumption by £20K and thus offset some of the impact of fuel price increases.

Work also continues to recruit experienced, officer of the watch certificated volunteers for the Third Officer position. A saving of £20K was achieved in 2006/07 as volunteers covered 220 sea days which would otherwise have required a salaried crew member.

The Trust took the decision to outsource ships' management to Northern Marine Management Limited (NMM) in 2002 because it was felt that this would be the most cost effective way of

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The Trust's Ships - Stavros S Niarchos and Prince William (continued)

providing 24/7 operational and safety management of our ships. The experience of the last five years has proved that this was the right decision. The partnership with NMM has worked well with Trust and NMM staff focussed on their respective areas of expertise.

During 2006/07 we continued to encourage our Salaried Crew to progress through the ranks. This both supports their personal development and ensures that we have a constant source of individuals trained in our methods and to our standards. Our crew complement currently includes two trainees who have risen to Second Officers and two Third Officers who have risen to Chief Officer. We also encourage those who leave to progress their careers elsewhere to return as reliefs. Past Captains and Chief Officers regularly return to fill these roles.

Sadly, Captain Bob Stephenson, one of the most respected Tall Ships Captains in the world-wide sail training fleet, retired in 2006/07 after 22 years' service with the Trust. Hundreds of colleagues and friends gathered for a Farewell Party in March 2007 to show Bob how much he will be missed. We thank him and all of our hard working Salaried Crew, Volunteer Crew and Head Office staff for another successful year on the ships.

Tall Ships 50 and Promoting the Trust

The 50th anniversary Golden Jubilee in 2006 was celebrated with a series of special events and activities throughout the year including in Merseyside, London, Barry and Newcastle.

The largest event, the Torbay Event, took place over the weekend of July 1-2 and included the 4th Annual Brig Match Race. Viewing areas, spectator boats, helicopter rides, street entertainers and fireworks all added to the atmosphere thanks to the support of Torbay Development Agency (TDA) and Brixham Yacht Club. In addition, TDA sponsored 24 local young people to take part in the race.

Prince William captained by Darren Naggs, who began as a trainee 16 years ago, hosted a young crew aged 16 to 25 (the "Young Guns"). Stavros S Niarchos captained by Liam Keating hosted the more mature crew of volunteers and supporters aged 18+ (the "Top Guns"). After an exhilarating and challenging two days, Prince William's Young Guns were clear winners, proving that youthful enthusiasm wins the day!

Other Torbay Event activities included guided tours for over 2,000 members of the public plus a party for over 300 Trust supporters with guest of honour June Goodson, who launched Sir Winston Churchill.

The success of the 2006 Torbay Event, together with the enthusiasm of TDA and other local supporters has led to a 2007 Torbay Event which will run from August 16 to 19 2007.

To conclude the very successful 50th Anniversary celebrations, the Trust organised a prestigious Black Tie Dinner on board HMS Warrior 1860 in Portsmouth's Historic Dockyard in November. This was held in the presence of Admiral Sir Jonathon Band KCB ADC, the First Sea Lord and Chief of Naval Staff with after dinner speaker Michael Grade CBE, a Vice Patron of the Trust. The night was a great success with 200 people attending and raised over £12K of much needed funds to support more disadvantaged young people on the ships.

During 2006/07, we continued our strategy of focussed PR, sales and marketing and this proved very successful in promoting the Trust's work, leading to extensive coverage in

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Tall Ships 50 and Promoting the Trust (continued)

national and regional newspapers, television and radio. We introduced an enewsletter to reach our audience on a more regular basis at minimal cost and we continued to evolve the voyage brochures as a selling tool with improved descriptions and layouts. Use of the on line booking facility grows with over 70% of bookings now coming in via this route. Website traffic is still very high with 6 million hits a year from some 300,000 unique visitors. The message board, virtual tour of the ships and ships' tracker (accurate to 100 metres) continue to be particularly popular with website visitors.

November saw the second Charity Yacht Regatta, organised to bring together Trust supporters and volunteers from around the UK, raise much needed funds to help support more young people and increase awareness of the Trust to the yachting world. Over 200 people took part in a fiercely contested "round the cans" race in the Solent in November followed by dinner and an auction of promises. Media coverage was good and we raised over £9K towards young people's bursaries.

Fundraising Strategy

Having raised the £11M capital funds to cover the construction costs of the brigs, the Trust remains focussed on increasing funds to help subsidise berths to enable more young people to benefit.

As in the previous year, targeting grant making trusts proved very successful and generated over half of the day to day fundraising income. A number of different "asks" were used, each individually tailored to the criteria set by the specific trust and this achieved a remarkable 33% success rate.

During 2006/07 we completed the review we had started the previous year of how best to attract supporters into some form of committed giving such as a membership subscription. This included consultations with Salaried and Volunteer Crew on different ways of targeting voyagers. A new initiative is currently underway to develop on board fundraising activity by using experienced volunteers as Trust Ambassadors.

We created a new post of Fundraising Manager and a candidate was recruited and joined us in January 2007. This should help us to achieve the challenging targets we have set ourselves for 2007/08.

As with many other charities, legacies are an important source of funds. In 2006/07 we received three totalling £89K plus notification of a fourth for £600K which has since been received. We are extremely grateful to those who have chosen to donate in this way.

We thank our many loyal members, donors and sponsors who have responded so generously to our various requests for donations and other help with ship visits and fundraising activities.

Recently, we have been working on a new fundraising campaign - Changing Lives. This is based on an approach called "major gift", "networking" or "one-to-one". It is a new approach for the Trust which relies on an individual supporter approaching to another individual personally known to them who either 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.

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Fundraising Strategy (continued)

To date we have developed an overall strategy, a detailed action plan and the supporting resources including a Case Statement, scale of giving, donations/pledge form, leaflets explaining tax efficient and share giving. A new fundraising leaflet has also been drafted. We are very grateful to Richard Leworthy who, as Chairman of the Fundraising Development Group, has been instrumental in getting us to this stage.

In tandem with this development work we have been testing and evolving our plans through fundraising events both on and off the ships and discussing our ideas with focus groups. This has helped us to secure gifts and pledges of £320K in the last eighteen months and we thank all of those who have helped to achieve this.

Our next and urgent task is to identify a volunteer Chairman to lead the Campaign, steer its future direction and head up the formal launch during 2007/08.

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 the ships or help out as and when they can at fundraising events and exhibitions. Many are involved in several activities for the Trust at the same time. We estimate that the Trust has some 2,500 individuals currently giving freely and regularly of their time and we are very grateful to them.

The volunteers in our Branches continue their tireless work to enable us to reach out to the young people who will most benefit from a voyage but who otherwise would neither know of nor be able to afford the experience. In April 2007 we held a brainstorming day for some of the most successful branches to discuss how we could increase the number of young people recruited and funded by branches. We shared ideas and best practise and work continues on the action points agreed. We thank all Branch volunteers for their continuing support and encouragement to our young people.

The Branches Working Group continued to guide and provide more resources for the Branches in 2006/07. This began with a new approach as part of Tall Ships 50 activity whereby the UK was divided into six regions with a co-ordinator identified for each to act as a point of contact and advice for the branches in their area. This was supported by a new website section and all enquiries about Tall Ships 50 events in the region were directed to the co-ordinator. A "How to Fundraise" guide was added to the Branches Operations Manual with information, guidance and advice about the legal framework of fundraising and suggestions on how to organise street collection, static collection tins, race nights and auctions etc. Branches were also invited to get involved in the various Trustee fundraising events linked to the Changing Lives Fundraising Campaign.

On the ships, our Volunteer Crew continue to provide vital support and much needed encouragement to the young people on board as well as assistance to our Salaried Crew. We simply could not run our ships without these valiant individuals who give up their holiday and leave time to come and help us. A huge thank you to all of them.

In addition to the Volunteer Crew who regularly sail, there are many others who help out during maintenance periods. These individuals provide essential resources to maintain our ships to the highest safety standards and are of great value to the Trust. Thank you to all of them.

TALL SHIPS YOUTH TRUST

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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.

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 Deputy Chairman. 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.

In March 2006 James Cowderoy retired as a Trustee on his relocation to the USA but he remains in touch and a good supporter of the Trust. In June 2006 Ian Ventham stood down after nearly ten years as a Trustee. We miss his wise counsel but Ian has kindly offered to continue to give us advice on fundraising issues as and when we need. Three new Trustees have also joined us - Mike Aiken (March 2006), Peter Coleman (March 2007) and Mike Broughton (May 2007).

Sadly, in June 2006, one of our longest standing Vice Patrons, General Sir Patrick Howard-Dobson stood down. We would like to give a special thank you to Patrick for his unflinching support, encouragement and generosity over so many years. We would also like to thank three new Vice Patrons for offering their services to our charitable cause: Miles Kington, Michael Slade and Damon de Laszlo.

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

TALL SHIPS YOUTH TRUST

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2007

Financial Results for the Year Ended 28 February 2007

The content and layout of the Trustees Report and financial statements have been amended this year in order to comply with the requirements of the latest revision of the Accounting and Reporting by Charities: Statement of Recommended Practice, known as 'SORP 2005'. The Consolidated Statement of Financial Activities particularly has changed, so that revised ways of grouping income and costs are now shown. The comparative figures for the 2005/06 year have also been re-formatted on a comparable basis to that used in reporting this year's results.

The financial results for the year from operations, ie before gains on investments, show an improvement over the previous year with net outgoing resources of £290K, compared with £520K in 2005/06, after adding back ships' depreciation.

Comparing this year's income with last year, there is a significant increase in voluntary income arising from the receipt of a major legacy of £600K, included in Restricted Funds. However this was offset by a reduction in income generated from ships' operations, as explained above. Outgoings increased in the year, but these generally reflect the changed level of activities eg additional fundraising events, increased bursaries expended from restricted funds, and additional costs relating to work funded by increased grant income.

Cost control remains a focus of new initiatives:

- Ships costs were held at the same level as the previous year, reflecting the new initiatives driven by the Head Office team, NMM and salaried crew.
- Other overhead cost increases were contained at the level of inflation.
- A review of Head Office functions was completed in January 2007 with a re-structuring which focussed more resources on income generation whilst reducing salary costs overall.

Gains on investments have been impacted this year by a £70K devaluation following the disposal of a holding in shares in a company listed on the Alternative Investment Market. This shareholding had been donated to the Trust in the 2004/05 with a restriction that it could not be disposed of until late 2006. It had been valued at £100K in the 2005/06 financial statements. Disappointingly, when the shares came to be sold, the estimated value could not be realised due to the limited market for the shares.

The overall financial out-turn for the year is that the net outgoing resources were £270K (2005/06 : £390K net outgoings) after adding back £284K of depreciation of the ships, so that the Trust ended the year with £8,111K in its unrestricted funds (mainly reflecting the £9,228K net book value of the ships), and £2,590K in its restricted and endowment funds, so that funds totalled £10,701K.

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 ships to their fullest potential to earn revenues in ways appropriate to the charity's purposes. Thus the voyage programme is continually reviewed and varied with innovations introduced whenever possible. New and existing partnerships continue to be developed with other organisations who share our dedication to developing young people. An example is the participation, for the first time, of Prince William in the American Sail Training Association's Tall Ships Challenge on the east coast of the USA and Canada, as mentioned above.

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Future Financial Prospects and Reserves Policy (continued)

Resources are also being invested into developing the Trust's fundraising activities. It is recognised that it will take time until the income generated starts to flow. However, the Trustees see this as the key to putting the Trust's financial position onto a sounder footing.

The Trustees recognise that 2007/08 will be another challenging year financially but take comfort from previous years' achievements faced with 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 should one or both of the ships have to be temporarily out of service. The Trustees have therefore set a goal of building available assets of the unrestricted funds to a level of between six and twelve months of our operating costs. 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.

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. The specialist charities' division of Bell Lawrie Investment Management, a division of Brewin Dolphin Securities, were appointed to manage the Trust's portfolio of investments on a discretionary basis and with a medium risk profile.

The annual investment return which has been achieved from the managed portfolio is about 11%. This is higher than would have been achieved if the holdings had been held in cash or bonds.

In May 2005 The Charity Commissioners for England and Wales issued an order enabling the Trust to apply a total return approach to its Endowment Fund assets. In the year £40K has been withdrawn as the income component of the total return, meeting the obligations set out in the trust deed of the Andrew Salvesen Endowment Trust. The Trustees consider that at this level of withdrawal the endowment capital remains fully protected.

Risk Review

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

The Trust is also exposed to a number of financial risks, which are described in more detail below:

Price Risk - The Trust's exposure to price risk consists mainly of movements in the value of the Trust's investments. The Trust employs an investment manager who works within guidelines set out by the Council. These guidelines include limits on the total investment in

TALL SHIPS YOUTH TRUST

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2007

Risk Review (continued)

any one particular equity instrument and in any one sector of the market. The aim is to try to diversify away price risk, as far as possible.

The Trustees keep under review these guidelines and quarterly review the performance of the investments and the performance of the investment manager against the guidelines set by the Trustees.

Liquidity Risk - 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 Rate Risk - The Trust finances 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 Risk - The Trust's principal financial assets are investments, bank deposits, cash and debtors. The credit risk associated with the bank deposits and cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its debtors. In order to manage credit risk all voyage fees must be paid before a voyage commences.

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 charitable company will continue in business.

The Trustees are responsible for keeping proper 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 1985. They 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.

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.

TALL SHIPS YOUTH TRUST

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2007

Auditors

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

ON BEHALF OF THE TRUSTEES

A handwritten signature in blue ink, appearing to be 'M Jay', with a stylized flourish at the end.

Martin Jay CBE DL
Chairman of the Council
15 May 2007

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TALL SHIPS YOUTH TRUST

We have audited the group and parent charitable company financial statements (the "financial statements") of Tall Ships Youth Trust for the year ended 28 February 2007 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated summary income and expenditure account, the group and charitable company balance sheets and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of Tall Ships Youth Trust for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable 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 specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed..

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TALL SHIPS YOUTH TRUST (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 28 February 2007 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements for the year ended 28 February 2007.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Southampton
15 May 2007

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY 2007

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 and Reporting by Charities revised in 2005. 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 12) drawn up to 28 February 2007.

The results of the charity's trading subsidiary, Tall Ships Limited, have been incorporated 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

Voluntary Income

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. The value of services provided by volunteers is not incorporated into these financial statements.

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 fundraising events, is treated as deferred if received in advance of the event to which it relates.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY 2007

Investment Income

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

Incoming Resources from Charitable Activities

Voyage fees are accounted for in the year in which the voyage commences. Fees are deferred if received in advance of the voyage start date.

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 are allocated to Voluntary income or Incoming resources from charitable activities depending on the nature of the activity for which the grant is awarded.

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 charged on an accruals basis.

Salary costs are allocated to each activity according to time spent on that activity and included in direct costs of that activity. Other costs directly attributable to an activity are allocated to the activity to which they relate.

Support costs include those overheads which are not directly attributable to an activity. This will include premises and administrative costs. Support Costs are allocated to each activity on the basis of staff time spent on that activity.

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.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY 2007

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation, net of depreciation. The costs of the 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 rates generally applicable are:

Tall Ships Youth Trust Ships	25 years
Computers, Fixtures & Equipment	
- Computers and Office Equipment	20% straight line
- Display and Exhibition Equipment	33% straight line
- Fixtures and Fittings	20% straight line

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 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.

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 2007

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2007 £	Total 2006 Restated £
Incoming resources						
Incoming resources from generated funds						
Voluntary income	1	440,034	898,216	-	1,338,250	682,633
Activities for generating funds	2	74,856	-	-	74,856	44,700
Investment income		13,691	37,837	29,679	81,207	108,679
Incoming resources from charitable activities	3	<u>1,511,902</u>	<u>-</u>	<u>-</u>	<u>1,511,902</u>	<u>1,761,181</u>
Total incoming resources		<u>2,040,483</u>	<u>936,053</u>	<u>29,679</u>	<u>3,006,215</u>	<u>2,597,193</u>
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		327,496	-	-	327,496	324,515
Fundraising trading: costs of goods sold and other costs		61,315	-	-	61,315	35,648
Investment management costs		-	2,574	4,782	7,356	-
Charitable activities		2,611,577	463,043	-	3,074,620	2,975,103
Governance costs		44,953	-	-	44,953	45,369
Other Costs		<u>63,440</u>	<u>-</u>	<u>-</u>	<u>63,440</u>	<u>28,117</u>
Total resources expended		<u>3,108,781</u>	<u>465,617</u>	<u>4,782</u>	<u>3,579,180</u>	<u>3,408,752</u>
Net (outgoings) before transfers		<u>(1,068,298)</u>	<u>470,436</u>	<u>24,897</u>	<u>(572,965)</u>	<u>(811,559)</u>
Transfers between funds	18-20	143,173	(34,292)	(108,881)	-	-
Gains/(losses) on revaluation of investments		<u>(66,452)</u>	<u>30,002</u>	<u>55,744</u>	<u>19,294</u>	<u>135,989</u>
Net (outgoing)/incoming resources for the year		<u>(991,577)</u>	<u>466,146</u>	<u>(28,240)</u>	<u>(553,671)</u>	<u>(675,570)</u>
Fund balances brought forward at 1 March 2006		<u>9,102,331</u>	<u>1,195,315</u>	<u>957,240</u>	<u>11,254,886</u>	<u>11,930,456</u>
Fund balances carried forward at 28 February 2007		<u>8,110,754</u>	<u>1,661,461</u>	<u>929,000</u>	<u>10,701,215</u>	<u>11,254,886</u>

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 2007

	2007	2006
	£	£
Total income	2,976,536	2,549,006
Total expenditure	<u>3,574,398</u>	<u>3,401,293</u>
Net outgoings for the year before transfers	<u>(597,862)</u>	<u>(852,287)</u>

Total income comprises £2,040,483 (2006: £2,239,610) for unrestricted funds and £936,053 (2006: £309,396) 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 statement of financial activities and note 7.

The summary income and expenditure account is derived from the statement of financial activities on page 21 and excludes all income and expenditure on the endowment funds. The statement of financial activities together with the notes on pages 24 to 33, provides full information on the movements during the year on all the funds of the Charity.

TALL SHIPS YOUTH TRUST

BALANCE SHEETS

AT 28 FEBRUARY 2007

	Note	Consolidated 2007 £	2006 £	Tall Ships Youth Trust 2007 £	2006 £
Fixed assets					
Tangible assets	11	9,244,558	9,537,834	9,244,558	9,537,834
Investments	12	-	-	160,409	160,409
		9,244,558	9,537,834	9,404,967	9,698,243
Current assets					
Stocks		10,732	19,451	632	904
Debtors	13	1,089,765	668,525	938,787	314,994
Investments	14	1,581,290	1,574,662	1,581,290	1,574,662
Cash at bank and in hand		3,229	460,535	2,979	443,513
		2,685,016	2,723,173	2,523,688	2,334,073
Creditors: amounts falling due within one year	15	(1,028,359)	593,767	(1,005,083)	342,719
Net current assets		1,656,657	2,129,406	1,518,605	1,991,354
Total assets less current liabilities		10,901,215	11,667,240	10,923,572	11,689,597
Creditors: amounts falling due after one year	16	200,000	412,354	200,000	412,354
		10,701,215	11,254,886	10,723,572	11,277,243
Capital funds					
Endowment funds	18	929,000	957,240	929,000	957,240
Income funds					
Restricted funds	19	1,661,461	1,195,315	1,661,461	1,195,315
Unrestricted funds	20	8,110,754	9,102,331	8,133,111	9,124,688
		10,701,215	11,254,886	10,723,572	11,277,243

The financial statements were approved by the Trustees on 15 May 2007



Martin Jay CBE DL
Chairman of the Council

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 2007

1 ANALYSIS OF INCOMING RESOURCES FROM VOLUNTARY INCOME

	2007 £	2006 £
Donations	454,747	465,650
Legacies	689,158	126,333
Grants	141,789	28,278
Membership	52,556	62,372
	<u>1,338,250</u>	<u>682,633</u>

2 ANALYSIS OF INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING INCOME

	2007 £	2006 £
Fundraising Events	<u>74,856</u>	<u>44,700</u>

3 ANALYSIS OF INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2007 £	2006 £
Generated from Ship Operations	1,459,952	1,710,431
Grants	<u>51,950</u>	<u>50,750</u>
	<u>1,511,902</u>	<u>1,761,181</u>

4 GRANTS

Material grants receivable during the year were as follows:

		2007 £	2006 £
Category	Source		
Youth Work	Department for Education and Skills	141,789	28,278
Youth Work	Association of Sea Training Organisations	51,950	50,750

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

5 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES

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

	2007	2006
	£	£
Turnover	1,706,392	1,920,292
Operating costs	(2,135,745)	(2,237,567)
Other income – subvention receipt	419,218	296,428
Operating loss	(10,135)	(20,847)
Interest receivable	10,135	20,847
Net (loss)/profit	-	-

The net assets and liabilities of the active subsidiary are:

	Total	Total
	2007	2006
	£	£
Fixed and Current assets	471,964	627,072
Creditors: amounts falling due within one year	(471,964)	(627,072)
Total net assets/(liabilities)	-	-
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 £132,366 (2006: £183,471) in the year.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

7 ANALYSIS OF RESOURCES EXPENDED

	Direct costs £	Support costs £	2007 £	2006 Restated £
Cost of generating funds				
Costs of generating voluntary income:				
Fundraising costs	211,168	68,960	280,128	313,843
Costs related to Grant received	47,368	-	47,368	10,672
	<u>258,536</u>	<u>68,960</u>	<u>327,496</u>	<u>324,515</u>
Fundraising trading:				
Events costs	60,315	1,000	61,315	35,648
Investment management costs:				
	7,356	-	7,356	-
Charitable activities				
Ship related costs	1,891,888	-	1,891,888	1,891,964
Depreciation of Ships	284,612	-	284,612	286,378
Voyage fees and other costs paid from restricted and endowment funds	463,043	-	463,043	398,663
Other expenses	309,186	125,891	435,077	398,098
	<u>2,948,729</u>	<u>125,891</u>	<u>3,074,620</u>	<u>2,975,103</u>
Governance costs				
Auditors remuneration	23,300	-	23,300	23,550
Staff costs	12,430	-	12,430	11,628
Administrative expenses	6,225	2,998	9,223	10,191
	<u>41,955</u>	<u>2,998</u>	<u>44,953</u>	<u>45,369</u>
Other Costs				
Interest payable and other charges	63,440	-	63,440	28,117
Total resources expended include:				
			2007	2006
			£	£
Auditors remuneration				
Audit services			21,000	21,250
Non-Audit services - Tax			2,300	2,300
Depreciation and amortisation				
Tangible fixed assets, owned			295,452	298,505
Operating lease rentals				
			<u>26,371</u>	<u>25,121</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

8. EMPLOYEES

Employee costs during the year were as follows:

	2007	2006
	£	£
Wages and salaries	351,654	317,587
Social security costs	37,610	32,478
Other pension costs	23,530	20,899
	<u>412,794</u>	<u>370,964</u>

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

	2007	2006
Management and administration	<u>12</u>	<u>11</u>

The emoluments of one employee fell within the range £60,000 to £70,000 during this year.

9 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 paid to 1 (2006: 2) Trustee during the year in total amounted to £302 (2006: £1,496) and can be analysed as follows:

	2007	2006
	£	£
Travel and Subsistence	<u>302</u>	<u>1,496</u>

10 DEFICIT 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 £553,671 (2006: £675,570 deficit) that is dealt with in the financial statements of the charity. This is stated after the subvention payment of £419,218 to its subsidiary Tall Ships Limited.

Details of the results of the trading subsidiaries are set out in note 5.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

11 TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust	Computers, Fixtures and Equipment		Total £
	Ships £	£	
Cost			
At 1 March 2006	11,083,198	132,969	11,216,167
Additions	-	2,176	2,176
At 28 February 2007	11,083,198	135,145	11,218,343
Depreciation			
At 1 March 2006	1,569,725	108,608	1,678,333
Provided in the year	284,616	10,836	295,452
At 28 February 2007	1,854,341	119,444	1,973,785
Net book amount at 28 February 2007	9,228,857	15,701	9,244,558
Net book amount at 28 February 2006	9,513,473	24,361	9,537,834

12 FIXED ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2007 £	2006 £	2007 £	2006 £
Investment in Subsidiary undertakings	-	-	160,409	160,409

At 28 February 2007 the charity held the whole of the issued share capital of its active subsidiary – Tall Ships Limited engaged in 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 and The Sail Training Association. All of the subsidiary undertakings have been consolidated in these financial statements.

13 DEBTORS

	Consolidated		Tall Ships Youth Trust	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	68,665	91,819	-	-
Amounts owed by group undertakings	-	-	283,148	229,166
Unamortised dry docking costs	339,729	446,783	-	-
Other debtors	673,791	121,479	648,059	77,384
Prepayments	7,580	8,444	7,580	8,444
	1,089,765	668,525	938,787	314,994

Other debtors includes £600,000 due from a legacy, notified in January 2007, and received after the Balance Sheet date.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

14 CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2007	2006	2007	2006
	£	£	£	£
Listed investments (in the UK)	1,482,134	1,364,507	1,482,134	1,364,507
Cash held as part of portfolio	94,014	200,484	94,014	200,484
Unlisted investments (in the UK)	5,142	9,671	5,142	9,671
	<u>1,581,290</u>	<u>1,574,662</u>	<u>1,581,290</u>	<u>1,574,662</u>

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 at market value.

In 2004/05 the Trust was donated 594,500 ordinary shares in a company quoted on the Alternative Investment Market. These shares had a restriction that they could not be disposed of until September 2006. The Trust has disposed of 200,000 of the shares in the year, but at a significant shortfall against their market value at February 2006. The remaining shares have been valued at the quoted market price of £27,615. The Trustees consider that, if disposed of, the size of the shareholding could not be absorbed by the market without a material effect on the quoted price.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2007	2006	2007	2006
	£	£	£	£
Bank loans and overdraft (unsecured)	534,374	104,708	599,213	104,708
Other Loans (unsecured)	160,000	-	160,000	-
Payments on account	144,526	218,980	-	-
Trade creditors	42,952	42,087	18,892	10,672
Amounts owed to group undertakings	-	-	167,495	152,646
Social Security and other taxes	8,654	8,963	-	-
Other creditors and accruals	137,853	219,029	59,483	74,693
	<u>1,028,359</u>	<u>593,767</u>	<u>1,005,083</u>	<u>342,719</u>

16 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2007	2006	2007	2006
	£	£	£	£
Bank and other loans (unsecured)	<u>200,000</u>	<u>412,354</u>	<u>200,000</u>	<u>412,354</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

17 BORROWINGS

Borrowings are repayable as follows:

	Consolidated		Tall Ships Youth Trust	
	2007	2006	2007	2006
	£	£	£	£
Within one year				
Bank and other borrowings	238,531	104,708	238,531	104,708
After one and within two years				
Bank and other borrowings	200,000	312,354	200,000	312,354
After two and within five years				
Bank and other borrowings	-	100,000	-	100,000
	438,531	517,062	438,531	517,062

18 ENDOWMENT FUNDS

	Andrew Salvesen	Michael Crocker	Nova Scotia	Lord Burnham	Total
	£	£	£	£	£
At 1 March 2006	922,667	9,363	8,473	16,737	957,240
Incoming resources	28,752	244	242	441	29,679
Resources expended	(4,633)	(39)	(39)	(71)	(4,782)
Transfers	(100,789)	(2,435)	(1,565)	(4,092)	(108,881)
Other recognised gains	54,003	458	455	828	55,744
At 28 February 2007	900,000	7,591	7,566	13,843	929,000

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.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

19 RESTRICTED FUNDS

	Specific Funds	International Fund	Total
	£	£	£
At 1 March 2006	290,360	904,955	1,195,315
Incoming resources	907,377	28,676	936,053
Expenditure	(222,502)	(243,115)	(465,617)
Transfers	(34,292)	-	(34,292)
Other recognised gains	-	30,002	30,002
At 28 February 2007	<u>940,943</u>	<u>720,518</u>	<u>1,661,461</u>

The Specific Funds are donations made to the Trust to be used for specified purposes. At 28 February 2007 there were 74 separate funds (2006 : 60).

The International Fund is restricted within the accounts of the Trust for the support of international sail training activities. Expenditure during the year relates mainly to grants made under the scheme introduced in 2002 to support initiatives that facilitate the personal development of young people (aged 15 to 25) through sail training on tall ships and have an international dimension. In 2006 a new Young Peoples Race Scheme was introduced to support young people participating in the race series organized by Sail Training International. In its first year this scheme distributed grants totalling £91,000.

in the year 2006/07 a grant of £15,000 was made from the International Fund to the Trust, in order to provide bursaries for young people participating in the Trust's voyages.

20 UNRESTRICTED FUNDS

	Consolidated £	Tall Ships Youth Trust £
At 1 March 2006	9,102,331	9,124,688
Incoming resources	2,040,483	540,174
Expenditure	(3,108,781)	(910,169)
Transfers	143,173	(555,130)
Gains/(losses) on revaluation of investments	<u>(66,452)</u>	<u>(66,452)</u>
At 28 February 2007	<u>8,110,754</u>	<u>8,133,111</u>

Transfers between funds represents the amounts transferred to/from the Restricted and Endowment Funds (see notes 18 and 19) into/from Unrestricted Funds.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

21 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total
Consolidated	£	£	£	£
Tangible fixed assets	9,244,558	-	-	9,244,558
Current assets	94,555	1,661,461	929,000	2,685,016
Current liabilities	(1,028,359)	-	-	(1,028,359)
Creditors: due after one year	(200,000)	-	-	(200,000)
	<u>8,110,754</u>	<u>1,661,461</u>	<u>929,000</u>	<u>10,701,215</u>

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total
Tall Ships Youth Trust	£	£	£	£
Tangible fixed assets	9,244,558	-	-	9,244,558
Investments	160,409	-	-	160,409
Current assets	(66,773)	1,661,461	929,000	2,523,688
Current liabilities	(1,005,083)	-	-	(1,005,083)
Creditors: due after one year	(200,000)	-	-	(200,000)
	<u>8,133,111</u>	<u>1,661,461</u>	<u>929,000</u>	<u>10,723,572</u>

22 CAPITAL COMMITMENTS

There were no capital commitments at 28 February 2007 or 28 February 2006. No amounts were authorised but not yet contracted for.

23 CONTINGENT LIABILITIES

There were no contingent liabilities at 28 February 2007 or at 28 February 2006.

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 or its subsidiary companies. Contributions made during the year are disclosed in note 8.

A number of the Trust's seagoing personnel have belonged to an industry wide pension scheme – the Merchant Navy Officers Pension Fund ('MNOF'). Arising from an actuarial valuation at March 2003, the Trustee Board of this scheme advised that part of the scheme was in deficit and that they will be looking to apportion the deficit between participating employers. For FRS 17 purposes although the employers' contribution to the MNOF would be affected by a surplus or deficit in the scheme, the Trust is unable to identify its share of underlying assets and liabilities on a consistent and reasonable basis. The Trust is therefore accounting for its contributions to the MNOF as if it were a defined contribution scheme. The Trust's share of the deficit was assessed as £76,365. It has been agreed that this liability can be settled by annual instalments over a ten year period. A further assessment has been raised for £11,000 representing the Trust's share of the shortfall in amounts collected from participating employers. This liability will be paid over eight annual instalments commencing in 2007/08.

The Trustees of the scheme have advised that a further deficit is likely to be shown as a result of the March 2006 actuarial valuation, however the level of the Trust's contribution has not yet been calculated.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2007

25 LEASING COMMITMENTS

Operating lease payments amounting to £26,371 (2006: £25,121) are due within one year. The leases to which these amounts relate expire as follows:

	2007		2006	
	Land & buildings	Other	Land & buildings	Other
	£	£	£	£
In one year or less	-	912	19,500	912
Between two and five years	-	4,709	-	4,709
In more than five years	20,750	-	-	-
	20,750	5,621	19,500	5,621