

TALL SHIPS YOUTH TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

28 FEBRUARY 2005

Company Number: 567460
Charity Number: 314229

TALL SHIPS YOUTH TRUST

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FOR THE YEAR ENDED 28 FEBRUARY 2005

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TALL SHIPS YOUTH TRUST

LEGAL AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2005

Tall Ships Youth Trust 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 Duke of York, KCVO, ADC

Vice Patrons: Mr M A C Drummond OBE, DL, JP
Gen Sir Patrick Howard-Dobson GCB
Mr B A Stewart
Mrs C Williams (Appointed 24 May 2005)

Trustees who served at any time during the financial year and including changes in the period to 31 May 2005 are as follows:-

Trustees: Mr T P Allen
Mr I A Carruthers
Mr J A F Cowderoy
Mr D Darbyshire
Mr M R Dixon (Appointed 3 July 2004)
Mr W M Garnett (Appointed 26 October 2004)
Lord Greenway
Vice Admiral M Gretton CVO
Mr M Jay CBE DL
Colonel D E King OBE (Resigned 24 December 2004)
Mr R Morley
Mr G W Pritchard-Gordon
Mr S J Roberts (Appointed 26 October 2004)
Mr A C Salvesen
Mr I R Ventham
Mr R H Williams (Appointed 3 July 2004)

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FOR THE YEAR ENDED 28 FEBRUARY 2005

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 Laphorn Linnell
Harbour Court
Compass Road, North Harbour
Portsmouth
PO6 4ST

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Manor Court
Barnes Wallis Road
Segensworth
Fareham
PO15 5GT

TALL SHIPS YOUTH TRUST

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2005

The Trustees present their report together with the audited financial statements for the year ended 28 February 2005.

New Patron

We are very proud to announce that His Royal Highness The Duke of York has kindly agreed to assume Patronage of the Tall Ships Youth Trust, taking over from His Royal Highness The Duke of Edinburgh who has been Patron of the Trust for nearly 50 years.

Objects and Powers

The Trust 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 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 2004/05. Its two 493 gross ton square-rigged brigs operated 12 months of the year, carrying many more young people than in previous years.

Five Years of Achievement

2004/05 continued the remarkable development process that has been led by our current management team over the last five years:

- 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 such as the Youth Mentor Scheme (professionally qualified teachers and youth workers sailing as volunteers to provide support and direction to the young trainees on board) and the Voyages of Understanding™ (new multi-national, multi-cultural, multi-faith, "diversity" voyages)
- The Trust's two much loved 120 ft schooners have been replaced by two new 200 ft brigs, built on time, on budget and paid for at a cost of £11M
- Operating deficits of around £300K per annum have been virtually eliminated as income has been increased and costs have been carefully controlled
- Reviews of internal organisation and efficiency mean that the Trust is more professionally managed and provides better value for money

As we look towards our 50th golden jubilee celebrations in 2006, we are very proud of these achievements and we thank all those who have contributed to them

Charitable Mission – Young People

The personal development of young people through crewing Tall Ships remains our primary charitable purpose.

During the last 12 months we have further developed our youth work policies, practices and procedures. For example, in consultation with young people, we have reviewed and revised

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Charitable Mission – Young People (continued)

our Code of Conduct, developed new crew training and introduced risk assessments in our work with third parties. Our innovative Youth Mentor scheme, whereby professionally qualified teachers and youth workers sail as volunteers on the ships, continues to attract interest and praise. As our professional reputation grows, we are receiving an increasing number of invitations to engage with other national and international bodies. Tangible evidence of this is witnessed by the increase in our Department for Education and Skills grant from £85K (2002/03 – 2004/05) to £224K (2005/06 – 2007/08).

We have considerable anecdotal evidence that crewing Tall Ships has a significant impact on young people. More importantly, our statistical evaluations over the last 12 months have been externally validated by VT Education and are providing solid empirical evidence that young people's key skills substantially improve as a result of our voyages:

- Over 70% say that their problem solving skills improve
- 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 £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.

The Trust is also working with Loughborough University (funded by the HSBC Education Trust) on a new research project that will measure the impact of our voyages on young people for up to three years after the experience.

In tandem with this evaluation work, the Trust's Chief Executive was invited by the National Council for Voluntary Youth Services to assist in a government led initiative to develop "a national strategy for improving the capacity and effectiveness of voluntary youth organisations to monitor and evaluate their work".

The Trust has added another international dimension to its work with an exciting new initiative – Voyages of Understanding™ – integrating young people from different countries and backgrounds. These voyages bring together young people in an environment where they can challenge their own preconceptions and prejudices about race, faith and culture. Recent voyages have seen Palestinians sailing with Israelis and Americans, Muslims from Bali with Christians from the UK, Protestants from Northern Ireland with Catholics from Northern Ireland. As part of this new initiative, the United Nations backed a Voyage of Understanding™ for young people from Cyprus, both Turkish and Greek. This proved so successful that there are already plans for another voyage.

With the ships now sailing all over the world, the spirit of international friendship on board grows apace. During 2004/05, for example, in addition to the thousands of UK young people who sailed on the Trust's ships, there were also young people from Canada, USA, Australia, Barbados, Azores, Gibraltar, Eire, Cyprus, Greece, Israel, Indonesia and other European countries. 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.

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Charitable Mission – Young People (continued)

In addition to developing the scope and variety of our work with young people, we are also keen to ensure that we are giving benefit to an ever increasing number of them. In 2004/05, for example, the number of voyage nights increased to 15,720, a 7% increase on the previous year and a 40% increase on two years previous.

We are achieving this in two ways. Firstly, we are increasing the opportunities for young people to join the ships on youth only (16 to 25) voyages. Secondly, we are encouraging more young adults to join voyages for those aged 18+. In the last two years, the proportion of those aged 18 to 25 on these voyages has increased from 17% to 20%. Feedback from the young people themselves 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.

Finally, we are also making sure that we use the donations so generously given by our many benefactors to reach out to those young people who otherwise would not be able to afford a voyage. As an example of this, the proportion of young people who would be recorded as disadvantaged (using a nationally recognised classification system) has increased by 24% to 31% in the last two years.

The Trust has a number of exciting new plans for developing its work with young people in 2005/06 and beyond. These include developing more bursaries for young disadvantaged people, extending youth work by looking at before and after voyage activity, introducing new Voyages of Understanding™ and further evaluating outcomes for young people.

Strategic Review

In 2003/04, our Chief Executive led the Trustees through a Strategic Review with the objective of agreeing a framework for the charity for the next few years. During this we established a Purpose, Vision and Values statement which provides a useful reference point.

We reviewed the Statement in 2004/05 as part of our annual planning process. As a result, we reaffirmed our Purpose as “the personal development of young people through crewing Tall Ships” and we agreed that we would deliver this by:

- Focussing on young people aged 16 to 25
- Ensuring a mix of young people and adopting an inclusive recruitment policy whilst mindful of practicalities, safety and voyage dynamics
- 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

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REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2005

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

The Trust has two outstanding Tall Ships, built and maintained to the highest standards, each able to carry 48 young people on every voyage for the next 30 years. We are grateful that our charitable mission led so many generous individuals and organisations to give their time, energy and £11M to create these fine vessels. We re-echo our thanks of previous reports to all those who contributed to this achievement.

As the 2004/05 year began, Stavros S Niarchos was completing three months in the Caribbean, returning across the Atlantic in May to take part in Gibraltar's 300th anniversary celebrations. The ship thanked the Trust's local benefactors with a reception attended by the Governor, Deputy Governor and British High Commissioner as well as senior officials from several government departments.

Stavros spent summer 2004 in the Mediterranean. This was made possible with the financial assistance of the Stavros S Niarchos Foundation which generously paid for all flight costs (for salaried, volunteer and voyage crew) as well as underwriting the berths on all seven Mediterranean voyages. We are most grateful to our friends at the Foundation for their continued support which has enabled so many more young people to join a voyage.

As part of the Mediterranean visit, Stavros visited Monaco and then completed two Voyages of Understanding™ including one supported by the United Nations. This mixed young Greek Cypriots with young Turkish Cypriots, none of whom had met previously. The voyage was a resounding success which has sparked new friendships between the two communities as well as UN support for a second voyage in 2005.

Stavros returned to the UK in September to take centre stage at the Barry Waterfront Festival before hosting young people sponsored by the HSBC Education Trust. Stavros sailed to Hull in November for her first major dry docking. This focused on work required by the Maritime and Coastguard Agency to maintain the ship in class, such as rigging checks and hull inspections, but whilst the ship was alongside and therefore unable to earn income, we also took the opportunity to undertake other essential repairs. These included some areas of deck corrosion, replacing the in mast electrical cabling and repairing leaking shower facilities.

In December Stavros headed south for two months in the Canaries and then in March 2005 sailed to the Balearics, a new sailing area for the 2004/05 year. At the time of writing, she is heading once again to the Mediterranean for her summer programme.

Meanwhile, at the beginning of 2004/05, Prince William was completing her Canaries and Azores programme before returning to the UK in May. Her busy summer around the UK and Northern Europe included a voyage sponsored by The Duke of Edinburgh's Award, a visit to the Mersey River Festival, the tall ships race and two Voyages of Understanding™. Prince William then joined Stavros for another fiercely contested Brig Match Race in October which was won by Prince William by 50 seconds.

In December Prince William headed south for a month in the Canaries and then sailed across the Atlantic in January 2005 in a record breaking time of 14 days. Her three months in the Caribbean included a number of youth voyages carrying local young people sponsored by the national education department and local businesses such as Pritchard-Gordon Tankers. As the 2004/05 year ended, she was sailing back to the Azores before another busy summer around the UK. Amongst the highlights for 2005 will be a major role in the International Fleet

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

Review in June when Prince William will lead the Parade of Sail down the Solent before taking part in the re-enactment of the Battle of Trafalgar.

The vital task remains to maximise income generated from the ships. This means finding new ways of extending the season beyond the summer holidays for young people who are at school, as well as offering voyages likely to attract young adults, particularly in the spring and autumn shoulder periods outside the main holiday weeks. Tall Ships Limited's team continue to deliver good results as they continually refresh the voyage itineraries and effectively market the berths.

As a result, 2004/05 proved to be another successful year with turnover increasing by 12% on the previous year due to increased occupancy, higher returns per night and better utilisation. Costs increased by 4% due to inflation coupled with increases in fuel prices.

During 2004/05, legislative changes relating to the working time directive and certification requirements meant that we needed to recruit certificated Third Officers and, for voyages sailing more than 150 miles from a safe haven, certificated Assistant Engineers. We initially filled these positions with employed crew and then set about recruiting volunteers through the maritime press, our website and word of mouth. By the end of the year we had recruited sufficient volunteers to cover half of the Third Officer requirement. The certification requirement for the Assistant Engineer was resolved by additional training and dual certification of junior members of the salaried crew. This enabled us to retain the volunteer status of the Assistant Engineer and to continue to offer the position to valued un-certificated volunteers. This initiative has been extremely successful and we thank all of the seafarers who rallied to our first recruitment call. As a result, we were able to save around £30K of anticipated costs in 2004/05 and expect to be able to maintain reduced annual crewing costs in the future. We are continuing to seek out more volunteers to lend support to the ships.

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 providing 24/7 operational and safety management of our ships. The experience of the last three 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.

This effective synergy enabled us to review a number of key areas in 2004/05 in consultation with our Captains. This included new procedures for the salaried crew roster which reduced the time between finalising the voyage schedule and signing off the crew roster from 3 months to a few days. We reviewed our catering policy with the Cooks and implemented simplified menus to reduce the time needed to complete month end accounting, make storing and stock rotation easier and to keep feeding rates to affordable levels in non-UK waters.

We thank our friends at NMM, head office staff and crews for the enthusiasm with which they tackled these areas with such successful results.

Promoting the Trust's Work

One of the most significant changes that resulted from the Strategic Review was the need to review the charity's name. Whilst the Members felt that the previous name, The Sail Training Association, had served the charity well in the past, they voted by an overwhelming majority

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Promoting the Trust's Work (continued)

at an EGM in Portsmouth on 1 August 2003 to adopt a new name – the Tall Ships Youth Trust. There is no doubt that the new name more closely reflects the Trust's progressive work with young people and has already helped to attract more charitable donations and funds.

During 2004/05, we continued to develop new strategies for PR, sales and marketing and this has proved very successful in promoting the Trust's work including extensive coverage in national and regional newspapers, television and radio. The day after Ben Ainslie won his gold medal, for example, The Times recommended the Tall Ships Youth Trust as the tall ship operator.

The BBC filmed three programmes on board the ships during 2004/05. The first of these, shown on 3 July was in the "I'd Do Anything" series which challenges individuals to conquer their fears with our programme featuring an individual climbing to the top of Prince William's 120 ft mast to overcome their fear of both heights and water. The second programme "Britain's Toughest Family" was shown on 8 July as part of a series of physical challenges for families, with the first round focussed on voyages on board Prince William. Perhaps the most powerful coverage was BBC 1's Breakfast coverage on 12 October 2004 which featured a group of young people from Israel and Palestine, working happily together on a Voyage of Understanding™ the day the Indonesian embassies in Paris and Israel were bombed.

We added a number of new promotional materials during the year. These included an interactive CD ROM (sponsored by the HSBC Education Trust) given to every young person in advance of their voyage and new exhibition displays. The evolution of the voyage brochures as a selling tool continued with improved descriptions and layouts. The introduction of on line booking proved particularly popular when it was launched in January 2005 with around 30% of the summer bookings coming via this route. The overall level of website traffic also grew with 6 million hits a year from some 300,000 unique visitors, double the number of two years ago. The message board, virtual tour of the ships and ships' tracker (accurate to 100 metres) continue to be particularly popular with website visitors.

The quality and impact of our promotional material continues to grow and we congratulate our head office team on it including, as we go to print, another excellent edition of ALOFT, the Trust's supporters' magazine. This highly professional marketing tool captures perfectly the essence of the Trust's charitable work and makes us all feel proud to be associated with such a forward looking and dynamic charity.

Fundraising Strategy

Having focussed fundraising efforts over several years on raising the capital funds to cover the construction costs of the brigs, since 2002/03 the Trust has been following a new Fundraising Strategy aimed at increasing funds to support their day-to-day operation.

The Strategy recommended targeting grant making trusts and as in the previous year, this proved very successful in 2004/05. A number of different "asks" were developed which were then tailored to the criteria set by each trust. Amongst the many donations from trusts received in 2004/05, we were particularly delighted to receive a second £150K from the Lundy Charitable Trust (in addition to the £150K donated in 2003/04), £91K from Friends of the STA, £50K from the Freemasons' Grand Charity (£25K receivable in 2004/05, £25K in 2005/06) and £34K from the Dulverton Trust.

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Fundraising Strategy (continued)

In 2005/06, we will continue to target grant making trusts and plan to increase income from this source by identifying new trusts as well as implementing a renewals campaign encouraging trusts that have already donated to do so again.

The Fundraising Strategy also recommended that we find new and different ways of attracting existing supporters into some form of committed giving – either through a membership subscription or a donation. During 2004/05, we continued to test different recruitment methods including end of voyage activity and targeted mailings. By analysing the results from these tests and applying the lessons learnt we have been able to increase income levels whilst maintaining costs at the previous year's level. We are now working hard to develop our IT systems so that we can automate the administrative processing and provide better management and financial statistics.

The Fundraising Strategy recommended that we supplement the committed giving programmes with two cash appeals a year. Unfortunately the second of these was timed for January 2005 but had to be cancelled in the wake of the Tsunami. As we write, we have just launched our first cash appeal of 2005 in conjunction with ALOFT which has expanded its target market whilst at the same time, reducing distribution costs.

As with many other charities, legacies are an increasingly important source of funds. In 2004/05 we received six totalling £222K. We are extremely grateful to those who have chosen to donate in this way. We are making these legacies live up to their name by using them to support more young people on voyages, an experience that will have a lasting effect on their lives for many, many years to come.

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. Whilst too numerous to list individually, we want to thank a few who have been particularly supportive during the 2004/05 year:

Stavros S Niarchos Foundation	Freemasons' Grand Charity
ASTO	Friends of the STA
Chilterns Branch	HSBC Education Trust
Miss N Dawson	Lundy Charitable Trust
Department for Education and Skills	Mersey Police
Derbyshire and South Staffordshire Branch	Dr L Mountford
Duke of Edinburgh's Award	Rank Foundation
Dulverton Trust	Royal Navy
Commander J Engledue	Sheffield University
Foundation for Sport and the Arts	Trinity House (The Corporation of)

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New Fundraising Strategy - The “Changing Lives” Campaign

As we go to press, the 2005/06 budgets show a remarkable £900K per annum increase in income since the first full year of the brigs in 2001/02. Income from the ships has increased by £600K per annum (from £1.3M to £1.9M) since 2001/02. Fundraising income, excluding “exceptionals” such as legacies, has increased by £300K per annum (from £100K to £400K). Meanwhile, costs have been carefully managed to ensure a near break-even on unrestricted income at the operating level.

However, costs will continue to increase in line with inflation and the ships need to be maintained to the highest standards against a background of increasingly stringent legislative requirements. If we are to continue and extend our work with young people, we need to put our fundraising efforts on a firmer footing and we have set ourselves a target of £5M over the next three to five years in order to do this.

The Trust has had some good success in recent years in developing fundraising activity, most specifically from grant making trusts and from individuals. This has been achieved on very limited resources. With this experience in hand and with the Trust’s other development plans now scoped out, it is timely to implement a new fundraising campaign to generate sufficient funding to support the plans as well as the ongoing operation.

In response to this fundraising plan, the Trust engaged a consultant in Autumn 2004 to review its existing fundraising activities and to determine the likely success of a new major fundraising campaign. Confidential interviews were conducted with numerous individuals using a Draft Case for Support and a pyramid of giving based on a £5M income target.

The conclusions were that the Trust had an extremely committed group of supporters, that they believed the Trust was having a major impact on young people’s lives and that they felt the charity was being professionally and well run. They recognised and applauded the way in which the Trust had been developed over the last few years by its current management team and were supportive of the plans for the future. The consultant further concluded that the Trust’s aim to raise £5M was achievable.

The Trust’s Council have accepted the consultant’s conclusions and as a result, the Trust is now gearing up to launch its new fundraising campaign – The Changing Lives Campaign. Behind the scenes, work has already begun on the campaign. As we go to press, the Draft Case for Support is being updated in the light of comments from the interviewees, a fundraising sub-committee has been formed, chaired by the Trust’s Chairman and other high level supporters are being engaged.

We will be launching the Changing Lives Campaign during 2005/06 and we are confident that the Trust’s many wonderful and generous supporters will wish to be involved in this new and exciting campaign.

2005 – Year of the Volunteer

The Tall Ships Youth Trust has literally thousands of individuals who dedicate themselves to the service of the Trust and our mission for young people. Some are involved in our volunteer support groups across the UK. Others offer their services on the ships or help out as and when they can at fundraising events. Many are involved in several activities for the Trust at

TALL SHIPS YOUTH TRUST

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2005 – Year of the Volunteer (continued)

the same time. We estimate that the Trust has some 2,500 individuals currently giving freely of their time to the Trust and we would like to say a particularly warm thank you to them.

Volunteer Support Groups

The volunteers in the Tall Ships Youth Trust's network of 50 volunteer support groups (branches) across the UK continue their tireless work to enable the charity to reach out to the young people who will most benefit from a 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. In 2004/05, for example, £250K was contributed by branches towards voyage fee income.

Following an extensive consultation process, including one-to-one discussions and open meetings around the UK, we implemented a New Strategy for Regions and Branches in 2003/04. During 2004/05, we continued this development work, adding to the new Operations Manual which translates the Strategy into simple procedures and practical guidelines. We also issued "how to recruit young people", the first of a series of new sections for the Manual. The Branches Working Group, a mix of senior staff and experienced volunteers, continues to guide the development work and we thank them for the time they have invested in this valuable work.

Volunteer Crew

On the ships, our volunteer crew continue to provide vital support, much needed encouragement to our young voyage crew and assistance to our salaried crew.

During 2005/06, we plan to launch two new initiatives for the volunteer crew. Firstly, driven by the changing legislative environment in which our ships operate as well as requests from our volunteers, we will be introducing a new, more structured training programme. As we go to press, the proposals are being discussed with the Captains and Northern Marine Management Limited prior to circulating them to volunteer crew as part of a broader consultation.

Secondly, in the Autumn of 2005/06, we will be launching a major Review which will help us to develop a New Volunteer Crew Strategy for the Trust.

We thank all of our volunteer crew who enable the Trust to help so many young people.

Trustee Board

We are fortunate to have such a wealth of knowledge, skills and experience on our Trustee board. As part of our annual planning process, during 2004/05, we developed a Trustee matrix to determine the ideal mix of backgrounds and attributes for the Trust. Using this as a guide, we then actively recruited four new Trustees to fill some of the vacancies we had identified. We continue to search for individuals to fill the others. In December, we said farewell to David King who retired after having been involved for over 20 years. We thank him and all of those who acted as Trustees during the year.

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Our Crews, Staff and Ship Managers

The ships' captains and crew, our head office staff and our colleagues at Northern Marine Management Limited have achieved outstanding results in 2004/05.

We have a most professional, effective and efficient team and we congratulate them on their continued hard work, level of commitment and success.

Financial Results for the Year Ended 28 February 2005

The Trust ended the year with fund balances totalling £11,930K made up of £9,736K in its unrestricted funds and £2,194K in its restricted and endowed funds.

The operating results show a loss of £30K for the year, after adding back £286K of non-cash depreciation of the original cost of the two brigs to the net outgoing resources of £316K from the unrestricted funds.

Restricted and endowed fund balances reduced by £56K, reflecting the use for their intended purposes of more of these funds than was received from donors during the year.

The total outflow is £54K greater than in the previous year, increasing from £319K in 2003/04 to £373K in 2004/05, and this change is explained by a number of factors:

- Fundraising income in 2003/04 was inflated by a £250K donation that was not repeated in 2004/05. As a result, although income from other fundraising activities increased by £119K in 2004/05, the overall result was a £131K decrease on the previous year. A more targeted approach to recruiting members and timing differences allowed a reduction of £24K in fundraising costs.
- Income from subsidiaries flows from the operations of Stavros S Niarchos and Prince William and showed an encouraging increase of £241K from £1,601K in 2003/04 to £1,842K in 2004/05, with a 12% increase in voyage revenues. The improvement was achieved through more berths being filled, an increased return per night and more days at sea.
- Revenue from branches declined to £260K from £524K in the previous year due to the expiry of grant projects funded by local authorities and this led to a parallel reduction to £250K from £430K in amounts spent on sponsoring young people on voyages from branch funds. Income from branches is shown after allowing for the expenditure by branches. The reduction in branch funding of voyages was more than made up by more effective marketing of berths elsewhere.
- Direct charitable expenditure rose in the year by £119K, mainly due to:
 - An increase of £96K from £294K to £390K in the use of restricted funds to provide bursaries for young people.
 - Greater costs of operating the ships rising by £72K from £2,021K to £2,093K due to causes such as legislative change imposing higher manning, rising fuel prices and the impact of dry-docking costs.
 - Reduced expenditure by £50K from £126K to £76K in the branches, as a result of lower travel grants and similar support to young people.
 - Management, administration and finance costs showed a saving of £4K compared to the previous year due to reduced bank loan interest. Staffing levels remained unchanged.

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FOR THE YEAR ENDED 28 FEBRUARY 2005

Financial Results for the Year Ended 28 February 2005 (continued)

Additional calls on the Trust's cash position included payment of the scheduled five year major dry-docking of Stavros S Niarchos and a repayment of £250K of the loan provided at the time of constructing the ships. As a result, cash resources decreased by £511K in the year.

Most of the Trust's funds are held as bank deposits, although since year end a cautious decision has been made to place amounts with professional fund managers. All the funds are appropriately segregated and, 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.

Future Financial Prospects and Reserves Policy

The Trust's two short term financial aims are to generate sufficient income to match outgoings and to eliminate its borrowings.

Every effort is made to use the ships so as to enhance their ability to earn revenues in ways appropriate to the charity's purpose. The ships' new, innovative and varied voyages are increasing numbers of first time and returning crew and leading to higher income, as is shown by the statistics given above. We are already making exciting plans for the next two years and working both in the UK and internationally with an increasing number of partners who share our dedication to developing young people.

The Trust is continuing with the fundraising strategy put into place two years ago to raise funds and we expect it to continue to yield good results. As noted in last year's report, we have considered further options to attract donations and as a result of this review we plan to launch a series of new initiatives during 2005/06 with the aim of achieving a sustained inflow on funds in future years.

By February 2005, the £11M capital cost of Stavros S Niarchos and Prince William had been almost entirely paid, with only a residual loan of £157K remaining to be repaid in six quarterly instalments from autumn 2005. This great achievement now has to be balanced by the costs of keeping the ships in seaworthy and attractive condition and of complying with our obligations under international maritime regulation. Maintenance and professional manning are an ongoing expense and dry-docking the ships twice every five years creates large peaks in the costs. The Trust nonetheless recognises that the requirements are framed to ensure that we have safe ships and our policy is that there can be no compromise over safety.

The Trustees recognise the challenges of the year ahead in achieving our aim to maintain the progress the charity has made in all its activities. We forecast a steady improvement compared to 2004/05 and initial results are encouraging.

In the medium term, the Trustees seek 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 at least five years to achieve the goal but, once achieved, it will protect the charitable work of the Trust's thousands of supporters of the past half century.

TALL SHIPS YOUTH TRUST

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2005

Organisation

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 and its members may be regarded as the Trustees of the Trust. The Trustees 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 upon three wholly owned subsidiary companies of the Trust: Tall Ships Limited, Tall Ships Races Limited and Tall Ships 2000 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.

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.

The Trustees have recently reviewed the policy that all funds not required for normal day-to-day operations should be held on interest earning bank deposit accounts. Since the year end a decision has been made to place endowment funds and amounts not required to cover short-term expenditure with professional fund managers.

Risk Review

The major risks to which the Trust 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 Trust, but is not consolidated within these accounts.

<u>Name</u>	<u>Address</u>	<u>Nature of Relationship</u>
Friends of the STA	37 Jewry Street, London, EC3	Supporting charity

Changes in Fixed Assets

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

TALL SHIPS YOUTH TRUST

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2005

Trustees' Responsibilities for the Financial Statements

United Kingdom 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 its subsidiaries and the incoming resources and application of resources, including the net income or expenditure, of the charitable company and its subsidiaries for the year. In preparing those financial statements, the Trustees are required to:

- 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 at any time 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

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the Trustees consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

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



Martin Jay CBE DL
Chairman of the Council
1 June 2005

Report of the Independent Auditors to the members of the

TALL SHIPS YOUTH TRUST (company limited by guarantee)

We have audited the financial statements of Tall Ships Youth Trust for the year ended 28 February 2005 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 25 to 36. 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 the charitable company's members as a body, 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 Tall Ships Youth Trust 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 charity 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 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 the charity's affairs as at 28 February 2005 and of its 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 UK LLP
Registered Auditors
Chartered Accountants

Portsmouth
1 June 2005

The maintenance and integrity of the Tall Ships Youth Trust website is the responsibility of the Trustees: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

TALL SHIPS YOUTH TRUST

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 2005.

The results of the charity's trading subsidiaries, Tall Ships Limited, Tall Ships Races 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 2004.

INCOMING RESOURCES

Voyage Fees

Voyage fees are accounted for in the year in which the voyage commences.

Donations and Gifts

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

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

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

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

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

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

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 in 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.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

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	over 18 months

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.

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.

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 lease term.

TALL SHIPS YOUTH TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 28 FEBRUARY 2005

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2005 £	Total 2004 £
Incoming resources						
Donations, membership & legacies		352,972	503,612	0	856,584	987,173
Activities in furtherance of the charity's objectives:						
Grants received	1	85,892	0	0	85,892	85,848
Income from subsidiaries	2	1,842,328	0	0	1,842,328	1,601,258
Income from branches	3	9,794	0	0	9,794	95,015
Investment income & interest	4	10,323	47,494	39,440	97,257	86,465
Total incoming resources		<u>2,301,309</u>	<u>551,106</u>	<u>39,440</u>	<u>2,891,855</u>	<u>2,855,759</u>
Resources expended						
Costs of generating funds						
Fundraising (including publicity)	5	83,350	0	0	83,350	107,346
Charitable expenditure:						
Direct charitable expenditure	5	2,455,672	390,486	0	2,846,158	2,727,122
Management, administration and finance costs		335,239	0	0	335,239	339,903
Total resources expended	5	<u>2,874,261</u>	<u>390,486</u>	<u>0</u>	<u>3,264,747</u>	<u>3,174,371</u>
Net (outgoing)/incoming resources before transfers		(572,952)	160,620	39,440	(372,892)	(318,612)
Transfers between funds	17-19	<u>256,577</u>	<u>(212,862)</u>	<u>(43,715)</u>	<u>0</u>	<u>0</u>
Net (outgoing)/incoming resources for the year		(316,375)	(52,242)	(4,275)	(372,892)	(318,612)
Fund balances brought forward at 1 March 2004		<u>10,052,606</u>	<u>1,313,496</u>	<u>937,246</u>	<u>12,303,348</u>	<u>12,621,960</u>
Fund balances carried forward at 28 February 2005	20	<u><u>9,736,231</u></u>	<u><u>1,261,254</u></u>	<u><u>932,971</u></u>	<u><u>11,930,456</u></u>	<u><u>12,303,348</u></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 2005

	Note	2005 £	2004 £
Gross income from charity		1,010,087	1,220,311
Gross income from activities of subsidiaries			
Continuing	2	1,842,328	1,601,258
Discontinued		-	-
Total income		<u>2,852,415</u>	<u>2,821,569</u>
Total expenditure			
Continuing		3,264,747	3,165,607
Discontinued		-	8,386
Total expenditure		<u>3,264,747</u>	<u>3,173,993</u>
Net (outgoings)/income for the year before transfers			
Continuing		(412,332)	(344,038)
Discontinued		-	(8,386)
		<u>(412,332)</u>	<u>(352,424)</u>

Total income comprises £2,301,309 (2004: £2,296,354) for unrestricted funds and £551,106 (2004: £525,215) for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities.

Turnover of trading activities amounted to £1,842,328 (2004: £1,601,258). A detailed analysis of trading results is shown in note 2.

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 21 and excludes all income and expenditure on the endowment funds. The statement of financial activities together with the notes on pages 25 to 36, 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 2005

	Note	Consolidated 2005 £	2004 £	Tall Ships Youth Trust 2005 £	2004 £
Fixed assets					
Tangible assets	10	9,833,217	10,132,426	9,833,217	10,132,426
Investments	11	1	-	160,410	160,409
		9,833,218	10,132,426	9,993,627	10,292,835
Current assets					
Stocks		12,294	10,180	1,305	180
Debtors	12	427,486	244,543	143,041	23,391
Investments	13	9,032	28,277	9,032	28,277
Cash at bank and in hand		2,328,795	2,840,355	2,238,371	2,770,451
		2,777,607	3,123,355	2,391,749	2,822,299
Creditors: amounts falling due within one year	14	568,181	952,433	320,375	792,176
Net current assets		2,209,426	2,170,922	2,071,374	2,030,123
Total assets less current liabilities		12,042,644	12,303,348	12,065,001	12,322,958
Creditors: amounts falling due after one year	15	112,188	-	112,188	-
		11,930,456	12,303,348	11,952,813	12,322,958
Capital	19	-	100,000	-	100,000
Capital funds					
Endowments	17	932,971	937,246	932,971	937,246
Income funds					
Restricted funds	18	1,261,254	1,313,496	1,261,254	1,313,496
Unrestricted funds:					
General	19	9,736,231	9,952,606	9,758,588	9,972,216
	20	11,930,456	12,303,348	11,952,813	12,322,958

The financial statements were approved by the Trustees on 1 June 2005.



Mr M 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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2005

	2005 £	2004 £
Net cash (outflow)/inflow from operating activities (see below)	(257,451)	91,706
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,109)	(47,641)
Sale of tangible fixed assets	-	767
Net cash (outflow) from investing activities	(4,109)	(46,874)
Financing		
Repayment of borrowing	(250,000)	(500,000)
Net cash (outflow) from financing	(250,000)	(500,000)
(Decrease) in cash	(511,560)	(455,168)
	2005	2004
	£	£
Net cash (outflow)/inflow from operating activities		
Net (outgoing)/incoming resources	(372,892)	(318,612)
Depreciation	303,318	302,422
(Increase)/decrease in Stocks	(2,114)	412
(Increase)/decrease in Debtors	(13,184)	47,793
(Increase)/decrease in Dry docking costs	(169,759)	(64,680)
(Decrease)/increase in Creditors	(22,064)	115,009
Increase in fixed asset investments	(1)	-
Decrease in current asset investments	19,245	9,362
	(257,451)	91,706

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

1 GRANTS

Material grants receivable during the year were as follows:

		2005 £	2004 £
Category	Source		
Youth Work	Department for Education and Skills	28,392	33,098
Youth Work	Association of Sea Training Organisations	<u>57,500</u>	<u>52,750</u>
		<u>85,892</u>	<u>85,848</u>

2 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES

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

	Tall Ships Ltd £	Tall Ships Races Ltd & Tall Ships 2000 £	Tall Ships Classics Ltd £	Total 2005 £	Total 2004 £
Turnover	1,960,628	6,307	-	1,966,935	1,720,376
Less: Income transferred from Trust	(124,607)	-	-	(124,607)	(119,118)
	<u>1,836,021</u>	<u>6,307</u>	<u>-</u>	<u>1,842,328</u>	<u>*1,601,258</u>
Operating (charges)/income					
Direct Charitable	(2,131,230)	40,800	-	(2,090,430)	(2,021,347)
Other income - subvention receipt	168,764	-	-	168,764	451,174
Exceptional Items					
Loss on disposal of discontinued operations	-	-	-	-	-
Operating profit/(loss)	(126,445)	47,107	-	(79,338)	31,085
Interest receivable	1,838	3,960	-	5,798	14,485
Net (loss)/profit	(124,607)	51,067	-	(73,540)	45,570
less: Covenanted payment to Trust	-	(51,666)	-	(51,666)	-
Add: Income transferred from Trust	124,607	-	-	124,607	119,118
Retained in subsidiary	<u>-</u>	<u>(599)</u>	<u>-</u>	<u>(599)</u>	<u>164,688</u>

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

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

2 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES (CONTINUED)

The net assets and liabilities of the subsidiaries were:

	Tall Ships Ltd £	Tall Ships Races Ltd & Tall Ships 2000 £	Tall Ships Classics Ltd £	Total 2005 £	Total 2004 £
Fixed and Current assets	432,964	193,713	1,000	627,677	588,581
Creditors: amounts falling due within one year	(432,964)	(56,666)	-	(489,630)	(449,935)
Total net (liabilities)/assets	<u>-</u>	<u>137,047</u>	<u>1,000</u>	<u>138,047</u>	<u>138,646</u>
Aggregate of share capital and reserves	<u>-</u>	<u>137,047</u>	<u>1,000</u>	<u>138,047</u>	<u>138,646</u>

3 BRANCHES

The financial results of the branches of Tall Ships Youth Trust are consolidated into these accounts on the basis of returns submitted by each branch. Branches raised £260,256 (2004: £524,703) in the year. From this £250,462 (2004: £429,688) is recorded in the statement of financial activities as voyage fees within Income from Subsidiaries. The balance of the amount raised by branches of £9,794 (2004: £95,015) represents income not directly expended on voyage fees in the year.

4 INVESTMENT INCOME

	2005 £	2004 £
Investment income comprises income from:		
Listed investments	629	676
Bank deposits	96,628	85,789
	<u>97,257</u>	<u>86,465</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

5 ANALYSIS OF RESOURCES EXPENDED

	2005 £	2004 £
Cost of generating funds		
Fundraising	83,350	107,346
Charitable Expenditure		
Direct Charitable Expenditure		
Subsidiaries' operating costs and youth work	2,092,726	2,021,347
Depreciation of Ships	286,393	285,380
Branch expenses including grants to voyage crew	76,553	125,844
Voyage Fees and Other Costs paid from restricted and endowment funds	390,486	294,551
Management, Administration & Finance Costs		
Charity overhead expenses	325,933	314,698
Net interest payable on bank loan	9,306	25,205
Total Resources Expended	<u>3,264,747</u>	<u>3,174,371</u>
Total resources expended include:		
Auditors remuneration		
Audit services	18,550	19,200
Non-Audit services - Tax	2,200	2.2£
- Other	4,100	-
Depreciation and amortisation		
Tangible fixed assets, owned	303,318	302,422
Operating lease rental	<u>15,935</u>	<u>22,044</u>

6 EMPLOYEES

Employee costs during the year were as follows:

	2005 £	2004 £
Wages and salaries	305,424	304,237
Social security costs	32,210	31,792
Other pension costs	23,127	23,642
	<u>360,761</u>	<u>359,671</u>

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

	2005	2004
Tall Ships Youth Trust and Tall Ships Limited	11	11
Tall Ships Races	-	-
Total	<u>11</u>	<u>11</u>

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

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

7 PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

Mr S J Roberts was appointed as a Trustee on 26 October 2004. At that time he was a non-executive director of Northern Marine Management Limited (NMM) with whom the Trust's subsidiary, Tall Ships Limited, has a contractual relationship for the management of the Trust's ships. Mr Roberts has wide expertise in ship operations and the Trust will benefit from this. The Charity Commission has confirmed its authority for this appointment.

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 10 (2004: 5) Trustees during the year in total amounted to £2,364 (2004: £2,249) and can be analysed as follows:

	2005 £	2004 £
Travel and Subsistence	<u>2,364</u>	<u>2,249</u>

8 CHANGES IN RESOURCES AVAILABLE FOR CHARITY USE

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2005 £	Total 2004 £
Net increase/(decrease) in funds for the year	(316,375)	(52,242)	(4,275)	(372,892)	(318,612)
Net increase/(decrease) in tangible fixed assets	<u>(299,209)</u>	-	-	<u>(299,209)</u>	<u>(255,548)</u>
Net movement in funds available for future activities	<u>(615,584)</u>	<u>(52,242)</u>	<u>(4,275)</u>	<u>(672,101)</u>	<u>(574,160)</u>

9 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 £370,145 (2004: £483,306 deficit) that is dealt with in the financial statements of the charity. This is stated after the subvention payment of £168,764 to its subsidiary Tall Ships Limited and after gift aid receipt from Tall Ships Races Limited.

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

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

10 TANGIBLE FIXED ASSETS

Consolidated	Ships	Computers, Fixtures and Equipment	Total
	£	£	£
Cost or valuation			
At 1 March 2004	11,083,198	125,738	11,208,936
Additions	-	4,109	4,109
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 28 February 2005	11,083,198	129,847	11,213,045
Depreciation			
At 1 March 2004	996,954	79,556	1,076,510
Provided in the year	286,393	16,925	303,318
On disposal	-	-	-
	<hr/>	<hr/>	<hr/>
At 28 February 2005	1,283,347	96,481	1,379,828
Net book amount at 28 February 2005	9,799,851	33,366	9,833,217
Net book amount at 29 February 2004	<hr/> 10,086,244	<hr/> 46,182	<hr/> 10,132,426

The Ships' net book amount consists of:

	2005	2004
	£	£
Stavros S Niarchos (Brig)	4,930,855	5,080,521
Prince William (Brig)	4,868,996	5,005,723

Included in the Ships category is £111,754 of capitalised interest, expended up to the year 2001/02.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

11 FIXED ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2005	2004	2005	2004
	£	£	£	£
Investment in Subsidiary undertakings	-	-	160,409	160,409
Other investments	1	-	1	-
Total	<u>1</u>	<u>-</u>	<u>160,410</u>	<u>160,409</u>

At 28 February 2005 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 Limited	England & Wales	Ordinary	100%	Tall Ships Operation
Tall Ships Races Limited	England & Wales	Ordinary	100%	Development and promotion of sail training internationally
Tall Ships 2000 Limited	England & Wales	Ordinary	100%	Development and promotion of sail training internationally
Tall Ships Classics Limited	England & Wales	Ordinary	100%	Dormant
Tall Ships Events Limited	England & Wales	Ordinary	100%	Dormant
STA Tall Ships Limited	England & Wales	Ordinary	100%	Dormant
International STA Limited	England & Wales	Ordinary	100%	Dormant
Tall Ships Youth Limited	England & Wales	Ordinary	100%	Dormant
Tall Ships Crew Limited	England & Wales	Ordinary	100%	Dormant
Tall Ships Adventures Limited	England & Wales	Ordinary	100%	Dormant
The Sail Training Association	England & Wales	Ordinary	100%	Dormant

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

During the year the Trust has been donated shares in newly quoted companies at the time of flotation on the Alternative Investment Market. These shares come with a requirement that they cannot be sold for a minimum of two years. The value of these shares is assessed at the time of receipt and that value recorded in the books as income. The value of investment is reviewed at the balance sheet date and any change in assessed value recognised as an investment increase or decrease. During the year, shares with an assessed value of £1 were received.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

12 DEBTORS

	Consolidated		Tall Ships Youth Trust	
	2005	2004	2005	2004
	£	£	£	£
Trade Debtors	59,298	48,421	-	-
Amounts owed by group undertakings	-	-	101,817	14
Unamortised dry docking costs	313,012	143,253	-	-
Other debtors	46,416	46,981	32,464	17,489
Prepayments	8,760	5,888	8,760	5,888
	427,486	244,543	143,041	23,391

13 CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2005	2004	2005	2004
	£	£	£	£
Listed investments	-	13,498	-	13,498
Unlisted investments	9,032	14,779	9,032	14,779
	9,032	28,277	9,032	28,277

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

	Consolidated		Tall Ships Youth Trust	
	2005	2004	2005	2004
	£	£	£	£
Bank loan	44,874	407,062	44,874	407,062
Payments on account	283,136	208,699	-	-
Trade creditors	43,035	132,334	22,750	29,349
Amounts owed to group undertakings	-	-	140,007	289,664
Social Security and other taxes	8,655	4,572	-	(5,086)
Pension contributions	-	-	-	-
Other creditors and accruals	188,481	199,766	112,744	71,187
	568,181	952,433	320,375	792,176

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2005	2004	2005	2004
	£	£	£	£
Bank loan	112,188	-	112,188	-

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 remaining £157,062 of the loan has been renegotiated, and is due in quarterly instalments of £22,437 ending 16 March 2007.

16 BORROWINGS

Borrowings are repayable as follows:

	Consolidated		Tall Ships Youth Trust	
	2005	2004	2005	2004
	£	£	£	£
Within one year				
Bank and other borrowings	44,874	407,062	44,874	407,062
After one and within two years				
Bank and other borrowings	89,751	-	89,751	-
After two and within five years				
Bank and other borrowings	22,437	-	22,437	-
	157,062	407,062	157,062	407,062

17 ENDOWMENTS

	Andrew Salvesen	Michael Crocker	Nova Scotia	Lord Burnham	Peacock Trust	Total
At 1 March 2004	900,000	8,579	8,150	15,517	5,000	937,246
Incoming resources	38,715	279	-	446	-	39,440
Outgoing resources	-	-	-	-	-	-
Transfers	(38,715)	-	-	-	(5,000)	(43,715)
At 28 February 2005	900,000	8,858	8,150	15,963	0	932,971

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.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

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

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

The Peacock Trust fund was donated to provide a new bursary scheme to benefit young people. The donor nominated that this fund may be fully expended for bursaries and therefore this endowment has been transferred into restricted funds.

18 RESTRICTED FUNDS

	Specific Funds £	International Fund £	Total £
At 1 March 2004	388,556	924,940	1,313,496
Incoming resources	513,092	38,014	551,106
Expenditure	(363,128)	(27,358)	(390,486)
Transfers	(205,793)	(7,069)	(212,862)
	<u>332,727</u>	<u>928,527</u>	<u>1,261,254</u>
At 28 February 2005			

The Specific Funds are donations made to the Trust to be used for specified purposes. At 28 February 2005 there were 43 separate funds (2004 : 28).

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. This includes funding a race entry rebate scheme for ships carrying young people participating in the race series organized by Sail Training International in 2004.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

19 UNRESTRICTED FUNDS

	Capital Funds £	General £	Total £
Consolidated			
At 1 March 2004	100,000	9,952,606	10,052,606
Incoming resources	-	2,301,309	2,301,309
Expenditure	-	(2,874,261)	(2,874,261)
Transfers	(100,000)	356,577	256,577
	<u>-</u>	<u>9,736,231</u>	<u>9,736,231</u>
At 28 February 2005	-	9,736,231	9,736,231
	<u>£</u>	<u>£</u>	<u>£</u>
Tall Ships Youth Trust			
At 1 March 2004	100,000	9,972,216	10,072,216
Incoming resources	-	755,306	755,306
Expenditure	-	(1,325,511)	(1,325,511)
Transfers	(100,000)	356,577	256,577
	<u>-</u>	<u>9,758,588</u>	<u>9,758,588</u>
At 28 February 2005	-	9,758,588	9,758,588

Funds of £100,000 previously categorised as Capital Funds have been re-classified and transferred into General Funds. The Trust has no plans to make any significant capital expenditure and therefore the revised categorisation reflects the general unrestricted nature of the funds.

The other transfers between funds represents the amounts transferred from the Restricted and Endowment Funds (see notes 17 and 18) into Unrestricted Funds.

20 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total £
Consolidated					
Tangible fixed assets	9,833,217	-	-	-	9,833,217
Fixed asset investments	-	-	1	-	1
Current assets	583,383	-	1,261,253	932,971	2,777,607
Current liabilities	(568,181)	-	-	-	(568,181)
Creditors: due after one year	(112,188)	-	-	-	(112,188)
	<u>9,736,231</u>	<u>-</u>	<u>1,261,254</u>	<u>932,971</u>	<u>11,930,456</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total £
Tall Ships Youth Trust					
Tangible fixed assets	9,833,217	-	-	-	9,833,217
Investments	160,409	-	1	-	160,410
Current assets	197,525	-	1,261,253	932,971	2,391,749
Current liabilities	(320,375)	-	-	-	(320,375)
Creditors: due after one year	(112,188)	-	-	-	(112,188)
	<u>9,758,588</u>	<u>-</u>	<u>1,261,254</u>	<u>932,971</u>	<u>11,952,813</u>

21 ANALYSIS OF CHANGES IN NET DEBT

	At 1 March 2004 £	Cash Flows £	Other changes £	At 28 February 2005 £
Net Debt				
Cash at bank and in hand	2,840,355	(511,560)	-	2,328,795
Debt due within 1 year	(407,062)	250,000	112,188	(44,874)
Debt due after 1 year	<u>-</u>	<u>-</u>	<u>(112,188)</u>	<u>(112,188)</u>
Total	<u>2,433,293</u>	<u>(261,560)</u>	<u>-</u>	<u>2,171,733</u>

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £	2004 £
(Decrease)/Increase in cash in the period	(511,560)	(455,168)
Repayment of loan	250,000	500,000
Receipt of loan	<u>-</u>	<u>-</u>
Change in net debt	(261,560)	44,832
Net debt at 1 March 2004	<u>2,433,293</u>	<u>2,388,461</u>
Net funds at 28 February 2005	<u>2,171,733</u>	<u>2,433,293</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2005

23 CAPITAL COMMITMENTS

There were no capital commitments at 28 February 2005 or 29 February 2004. No amounts were authorised but not yet contracted for.

24 CONTINGENT LIABILITIES

A number of the Trust's seagoing personnel have belonged to an industry wide pension scheme – the Merchant Navy Officers Pension Fund. The Trustee Board of this scheme has advised that part of the scheme is in deficit and that they will be looking to apportion the deficit between participating employers. It is unclear how the deficit will be allocated between employers and a court case was heard in March 2005 to establish the principle for such allocation. Until further substantive information is received from the scheme's Trustee Board, it is not possible to quantify the level of contribution that the Trust or its subsidiaries might be required to make.

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 Tall Ships Youth Trust or its subsidiary companies. Contributions made during the year are disclosed in note 6.

26 LEASING COMMITMENTS

Operating lease payments amounting to £6,257 (2004: £20,362) are due within one year. The leases to which these amounts relate expire as follows:

	2005		2004	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	-	912	16,250	-
Between two and five years	-	5,345	-	4,112
	<u>-</u>	<u>6,257</u>	<u>16,250</u>	<u>4,112</u>