

# TALL SHIPS YOUTH TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

28 FEBRUARY 2006

Company Number: 567460

Charity Number: 314229

# TALL SHIPS YOUTH TRUST

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

<b>INDEX</b>	<b>PAGE</b>
Legal and administrative details	1 – 2
Report of the Council	3 – 17
Report of the independent auditor	18 – 19
Principal accounting policies	20 – 22
Consolidated statement of financial activities	23
Consolidated summary income and expenditure account	24
Balance sheets	25
Notes to the financial statements	26 – 36

# TALL SHIPS YOUTH TRUST

## LEGAL AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

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 (appointed 28 October 2005)  
Mr M A C Drummond OBE, DL, JP  
Mr M Grade CBE (appointed 28 October 2005)  
Gen Sir Patrick Howard-Dobson GCB  
Mr M Kington (appointed 21 March 2006)  
Mr A C Salvesen (appointed 28 October 2005)  
Mr B A Stewart  
Mrs C Williams

Trustees who served at any time during the financial year and including changes in the period to 23 May 2006 are as follows:-

Trustees: Mr M Jay CBE DL (Chairman)  
Mr M P Aiken (appointed 21 March 2006)  
Mr T P Allen  
Mr I A Carruthers  
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 R Morley (resigned 2 July 2005)  
Mr G W Pritchard-Gordon  
Mr S J Roberts  
Mr A C Salvesen (resigned 2 July 2005)  
Mr I R Ventham  
Mr R H Williams

## TALL SHIPS YOUTH TRUST

### LEGAL AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

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

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 2006

---

The Trustees present their report together with the audited financial statements for the year ended 28 February 2006.

## **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 2005/06. Its two 493 gross ton square-rigged brigs operated 12 months of the year, carrying many more young people.

## **Five Years of Achievement**

2005/06 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, 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 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
- Income has been driven up from the ships (£1.2M increased to £1.8M) and from day to day fundraising activity (£100K increased to £450K) whilst the relative cost of generating income has fallen by 24%.
- Reviews of internal organisation and efficiency mean that the Trust is more professionally managed and provides better value for money

In this, our 50<sup>th</sup> golden jubilee year, we are very proud of these achievements and we thank all of those who have contributed to them.

## **Charitable Mission – Young People**

The personal development of young people through the crewing of 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 updated our on board Codes of Conduct as well as our risk assessment procedures when working in partnership with third parties. Our innovative Youth Mentor scheme, whereby professionally

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

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

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 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 have been externally validated by VT Education and provide solid empirical evidence that young people's key skills substantially improve as a result of a voyage:

- 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 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.

To further evaluate outcomes for young people, we are currently working with Loughborough University (funded by the HSBC Education Trust) on a research project measuring the impact of our voyages for up to three years after the experience. In addition, during 2006/07, we will be launching another new research initiative to measure outcomes such as self esteem.

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 2005/06, 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, Italy, Greece, Israel, Indonesia and many 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.

In addition to developing the scope and variety of our work with young people, we are committed to increasing the total number of young people benefiting from our work. This proved more difficult than usual in 2005/06 for a number of reasons. Firstly, for those still at school, the current exam structure means that young people are far less keen to join voyages at Easter and during half-term breaks. Secondly, there is an increasing range of outdoor adventure opportunities for young people to choose from, most of them for six months plus and, being land based, at relatively low cost. This means that we need to be even more proactive at explaining the value of a Tall Ships voyage relative to other options and to work

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

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

even harder to raise more funds to support disadvantaged young people so that price is not a barrier. Thirdly, the number of young people recruited by our volunteer support groups (Branches) has declined over the last few years. This has been due to several factors, most specifically a decline in local statutory funding and, in common with many UK charities, an aging population of local volunteers, many of whom are standing down following ten years' service and without others to take their place. Several new initiatives (see section on Volunteers) should see the level of activity increase again but the decline has nevertheless been felt during 2005/06.

Despite all of these factors, nearly 1,500 young people sailed over 13,000 voyage nights on the Trust's ships during 2005/06, 11% more than three years ago, and a 40% increase on six years ago. One of the underlying philosophies of the Trust is that a mix of young people is of benefit to all. In general, around 30% of those sailing with us would be recorded as disadvantaged (using a nationally recognised classification system). This proportion dipped to 20% in 2005/06, reflecting the reduced activity of our branches. We aim to find new ways of increasing this number again in the next 12 months. Meanwhile, we are offering more and different opportunities to young adults sailing with us by encouraging them to join 18+ voyages. In the last three years, the proportion of those aged 18 to 25 on these voyages has increased by 24%. 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.

The Trust has a number of exciting new plans for further expanding its work with young people in 2006/07 and beyond. These include more bursaries for young disadvantaged people, extending youth work by developing voyages for 14 and 15 year olds, further evaluating outcomes for young people and developing the Tall Ships Academy.

### **Tall Ships Academy**

In January 2006 we launched a new training programme for young people under the banner of the "Tall Ships Academy". This is one of the Trust's most significant developments in recent years – a unique scheme that ultimately gives young people a route from their first experience as Voyage Crew to volunteering on the ships in order to support the next group of young people and then, for those that wish it, onto a career at sea with the Merchant Navy, the Royal Navy or even on a large private yacht.

Developing this initiative has been a huge team effort. Initial work began 12 months ago using a framework of five key objectives:

- 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 lead and 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.

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

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

The next stage was to consult with our Salaried Crew, Northern Marine Management (our ship managers) and some of our most experienced Volunteer Crew to develop an outline syllabus. This concentrated on introducing a more formal structure to the existing on board training for our ships volunteers - working with young people, ship familiarisation and safety training - by implementing a Training Record log book and competence scheme. On top of this we overlaid the syllabus of the Royal Yachting Association (RYA) Watch Leader Certificate and the Maritime and Coastguard Agency (MCA) Yacht Rating Certificate. We are particularly pleased to have received RYA and MCA endorsement of our scheme.

The final stage was to undertake a broad based consultation with our Volunteer Crew to invite their feedback on our proposals. Questionnaires were sent to 1,250 individuals and responses were received from 20% (twice the number expected by the external verifying agency). We received overwhelming support for our proposals - over 90% of respondents. Six reasons were given for this: greater support to our Salaried Crew; added value, motivation and experience for our Volunteer Crew; building of knowledge, skills and confidence; improved experience for our young Voyage Crew; better communication, improved safety and standardisation; public accountability

To date, the Trust has issued the Training Record so that individuals can start to track their progress. The accompanying Training Reference Manual, which defines the syllabus and standards in more detail, is drafted and will be distributed to Volunteer Crew once finalised.

### **Strategic Review**

Two years ago, the 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. Each year we review the Statement as part of our annual planning process and we did this again in 2005/06. As a result, we reaffirmed our Purpose as “the personal development of young people through the crewing of Tall Ships” and we agreed that we would deliver this by:

- Focussing 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

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

## **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 2005/06 year began, Prince William was finishing three months in the Caribbean and then sailed back across the Atlantic in April for a month in the Azores, again supported by our friends in the Sea Scouts. She returned to UK waters in June for a busy programme of youth voyages and port events, including those associated with SeaBritain 2005. After joining the Mersey River Festival and Dublin Docklands Maritime Festival, Prince William took centre stage at the historic Trafalgar 200 celebrations and International Fleet Review off Spithead in June in Portsmouth, leading the Tall Ships parade of sail down the Solent to salute Her Majesty The Queen. As the evening progressed, Prince William joined in the Battle of Trafalgar re-enactment, firing the explosive charges that had been laid down her side to recreate the atmosphere and noise of the battle 200 years earlier.

Prince William then spent four days alongside in Portsmouth at the International Festival of the Sea during which many thousands of visitors were welcomed on board with the highlight, a visit by the Trust's Patron, His Royal Highness the Duke of York.

Prince William then joined the fleet for the start of the European tall ships race in Waterford and received a rapturous welcome as Captain Liam Keating helmed the ship into his home port. It was during the race that Prince William went to the rescue of Excelsior, a 70 ft smack with 17 crew on board, that was taking on water during a storm in the North Sea and was in danger of losing her mast. Prince William's crew sent over their electrical pump and then escorted Excelsior into port, an act which cost Prince William her race position but which earned her the thanks and admiration of the fleet as well as the race's Seamanship Trophy.

As the summer progressed, Prince William continued to work hard around the UK coast, visiting Scotland and Wales including another voyage of young people sponsored by the ever supportive HSBC Education Trust. In October Prince William met up with Stavros S Niarchos for a fiercely contested third Brig Match Race which, after five hours, was won by Stavros by a margin of only six and a half minutes.

Prince William then sailed to Hull in November for her first major dry docking. This focussed 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 repairing leaking shower facilities.

She sailed south in December to spend three months in the Canaries, followed by six weeks in the Balearics. As we write, Prince William is planning her return to UK waters to take part in the exciting Tall Ships 50 programme.

Meanwhile, as the 2005/06 year began, Stavros S Niarchos was completing three months in the Canaries before a short stay in the Balearics and then on to Gibraltar in May for a voyage

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

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

which visited the exact site of the Battle of Trafalgar and then a reception alongside to thank the Trust's local benefactors attended by the Governor, Deputy Governor and British High Commissioner as well as senior officials from several government departments.

Stavros spent the summer in the Mediterranean with a busy schedule of youth voyages including the second Voyage of Understanding® sponsored by the United Nations. The voyage was a resounding success, sparking new friendships between the young Turkish and Greek communities as well as UN support for a third voyage in 2006.

Stavros returned to the UK in October to challenge Prince William in the Brig Match Race followed by an intensive autumn programme of day sails, channel hops and short voyages around the south coast. In December, she headed south to spend Christmas in Gibraltar and the Canaries before sailing for the Caribbean in January 2006. Whilst Trans-Atlantic, Stavros was asked by the United States Coastguard Agency to help rescue two young female rowers taking part in the Trans-Atlantic Rowing Race. Their boat had capsized in heavy seas and bad weather and by the time Stavros had steamed the 120 nm to reach them, they had been in the water clinging to the upturned hull for 16 hours. High seas and strong winds required exceptional seamanship from Stavros' crew who managed to stream a life raft astern for the girls to jump into.

Both of the Trust's ships are Auxiliary Coastguards Afloat, an honour only given to a few vessels by the Maritime and Coastguard Agency (MCA), 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.

Stavros spent the first two months of 2006 in the Caribbean including a number of youth voyages carrying disadvantaged local youngsters sponsored by the national education department and local businesses, particularly Pritchard-Gordon Tankers. By April she had returned across the Atlantic to spend May in the Azores and is due in Waterford during June to begin another busy summer programme of youth voyages.

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 effectively market the berths so that despite difficult trading conditions across the leisure and holiday industry, voyage fee income rose by 1% in 2005/06 compared to the previous year.

However, costs increased as a result of a series of unexpected and uncontrollable costs. A drifting fishing net in the channel caused £10K of damage to one of Prince William's propellers. We had to replace one of Stavros' cutlass bearings which cost £25K including dry docking which lost us a further £20K of voyage fees whilst the ship was out of action. We had to spend a further £50K to buy new sails, new gyro compasses and replace our safety boats.

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

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

Over and above these costs, there was an additional £55K of fuel costs to run the engines and generators as the price of crude soared.

However, there are other costs that we have been able to address. For example, two years ago legislative changes relating to the working time directive and certification requirements meant we needed to recruit certificated Third Officers (3O) and, for voyages sailing more than 150 miles from a safe haven, certificated Assistant Engineers (AE). Initially we had to fill these positions with employed crew but since then we have recruited sufficient volunteers to cover half of the 3O requirement. The certification requirement for the AE 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 AE 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 recruitment call. As a result, we are able to save around £30K of costs a year.

During 2005/06 we have continued to encourage and our support Salaried Crew who want to progress through the ranks. We have already seen our first Trainee rise to Captain as well as two Bosuns rise to Chief Officer and then Captain and a Bosun rise to Second Officer position.

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 four 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 has enabled us to review a number of key areas in consultation with our Captains. We have introduced new procedures for the Salaried Crew roster, reducing the time between finalising the voyage schedule and signing off the roster from three months to a few days. We have revised 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, crews and Head Office staff for the enthusiasm with which they have embraced these initiatives with such successful results. We also warmly congratulate Captain Bob Stephenson who celebrated 20 years' service to the Trust during 2005/06.

### **Tall Ships 50, Promoting the Trust**

To celebrate our 50<sup>th</sup> anniversary Golden Jubilee in 2006, we are organising a series of events, activities and celebrations:

- To build on the Trust's charitable mission with young people
- To raise much needed funds for the next 50 years
- To offer sufficient variety to involve all Trust supporters in at least one activity
- To recognise the successes of the past whilst looking to the future
- To celebrate the Trust's schooners - Sir Winston Churchill and Malcolm Miller – and its brigs - Stavros S Niarchos and Prince William
- To offer PR and promotional opportunities for the Trust

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### **Tall Ships 50, Promoting the Trust (continued)**

Events are planned throughout the year and around the UK with one of the main events planned for Torbay over the weekend of 1 and 2 July and including the 4<sup>th</sup> annual Brig Match Race. Viewing areas, spectator boats, helicopter rides, street entertainers and fireworks will add to the atmosphere thanks to the support of Torbay Development Agency and Brixham Yacht Club. In addition, the Development Agency has sponsored 24 local young people to take part in the race. There will be further events in Mersey, Newcastle and London with a grand finale dinner on board HMS Warrior 1860 on 23 November 2006.

During 2005/06, we developed new strategies for PR, sales and marketing which proved very successful in promoting the Trust's work including extensive coverage in national and regional newspapers, television and radio. We added a number of new promotional materials during the year and we continue to evolve the voyage brochures as a selling tool with improved descriptions and layouts. Use of the on line booking facility grew with over 50% of bookings now coming in via this route. Website traffic is still huge 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.

We launched a new event in 2005/06, a Charity Yacht Regatta, with three objectives in mind:

- To bring together Trust supporters and volunteers from around the UK
- To raise much needed funds to help support more young people
- To increase awareness of the Trust in the yachting press

Over 150 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 £8K. Interest in the 2006 race already significantly higher.

As we go to print, another excellent edition of ALOFT, the Trust's supporters' magazine, is being distributed. We congratulate our Head Office team on this marketing tool which makes us all feel proud to be associated with such a forward looking and dynamic charity.

### **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 two years, targeting grant making trusts proved very successful. In 2005/06 we used a number of different "asks" tailored to the criteria set by each trust. We also piloted a new approach to local grant making trusts, combining Head Office and Branch resources which also proved successful. We plan to grow income from grant making trusts by identifying new trusts as well as continuing our renewals campaign to encourage repeat donations.

During 2005/06 we also reviewed different ways of attracting existing supporters into some form of committed giving – either through a membership subscription or a donation. 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

# TALL SHIPS YOUTH TRUST

## REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### **Fundraising Strategy (continued)**

are now working hard to develop our IT systems so that we can automate the administrative processing and provide better management and financial statistics.

We supplement these committed giving programmes with at least one cash appeal a year. In 2005/06 we piloted an additional appeal using ALOFT. Income levels were lower than those for appeals using a targeted letter alone but as ALOFT was being distributed anyway, incremental costs were minimal and it proved a useful learning experience.

As with many other charities, legacies are an important source of funds. In 2005/06 we received four totalling £126K. We are extremely grateful to those who have chosen to donate in this way. For our part, we make 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 2005/06 year:

ASTO	HSBC Education Trust
Major and Mrs O Case	Foundation for Sport and the Arts
Chilterns Branch	Mr R Morrell
Department for Education and Skills	Newcastle City Council
Derbyshire and South Staffordshire Branch	Rank Foundation
Defence Academy (Royal Navy)	Sheffield University
Dulverton Trust	Stavros S Niarchos Foundation
Freemasons' Grand Charity	Trinity House (The Corporation of)

As we go to press, the 2006/07 budgets show a remarkable £1.1M per annum increase in income (from ships and fundraising activity) since the first full year of the brigs in 2001/02. However costs have increased by a similar amount as we maintain the ships to the highest standards against a background of increasingly stringent legislative requirements. To continue as well as to extend our work with young people we need to put our fundraising efforts on a firmer footing and we have set a target of £5M in order to do this.

The Trust has had 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 behind us and with the Trust's other development plans now scoped out, the Trustees plan to invest more in fundraising resources in 2006/07.

# TALL SHIPS YOUTH TRUST

## REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### Volunteers

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 (Branches) 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 the same time. We estimate that the Trust has some 2,500 individuals currently giving freely 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.

Five years ago, we recognised that our Branches were changing. The volunteers associated with them were getting older, many were standing down after years' of service, and there was a general reduction in their level of activity. An initial brainstorming meeting was held in 2001 which sparked a detailed review of performance. This led to an extensive consultation process, including one-to-one discussions and open meetings around the UK. A steering group was formed made up of experienced Branch volunteers and senior staff to offer advice and support as needed and to develop new ideas to make the Branches more effective. A New Strategy for Regions and Branches was implemented in January 2004 including an Operations Manual which translated the Strategy into simple procedures and practical guidelines. Since then we have added new resources including a series of "how to" guides.

During 2005/06 a new initiative was developed which, as we go to print, is being piloted through a new staff post, a Regional Developer:

- To support Branches in the region
- To increase the number of funded young people from the region.
- To increase the awareness of the Tall Ships Youth Trust in the region.

The aim is to provide locally based support to local volunteers whilst, particularly where the Trust is not currently represented, to increase access to local statutory and other funds.

On the ships, our Volunteer Crew continue to provide vital support, much needed encouragement to the young people on board and assistance to our Salaried Crew.

In recognition of this contribution, and in order to enhance their sailing experiences, the Trust implemented a new training and development programme in 2005/06 (see Tall Ships Academy). This is one of the most significant Trust developments in recent years and a particularly appropriate initiative for the Trust's 50<sup>th</sup> anniversary.

In addition to the Volunteer Crew who regularly sail, there are a number of others who join them to 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.

We simply would not be able to operate without our willing volunteers in the Branches and on the ships. We thank all of them for their wonderful support to the Trust's work with young people.

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

## 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 upon two wholly owned subsidiary companies of the Trust: Tall Ships Limited and Tall Ships Races Limited.

As well as appointing directors to the subsidiary companies, the Council establishes other committees to deal with different aspects of the 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. In July 2005, two of our longest serving and much valued Trustees stood down - Rob Morley and Andrew Salvesen. We will miss them hugely. James Cowderoy also left us in March 2006 as he relocated to the USA. In March 2006 we appointed Mike Aiken as a new Trustee and we continue to search for individuals to fill other vacancies. We thank all of those who acted as Trustees during the year.

We would like to thank our four new Vice Patrons for offering their support to our charitable cause: Rt Hon Lord Butler of Brockwell KG, GCB, CVO., Michael Grade CBE, Miles Kington and Andrew Salvesen. We give a warm welcome to them all.

## Financial Results for the Year Ended 28 February 2006

2005/06 was financially difficult for the Trust despite success in maintaining revenue from the ships in a depressed market, achieving a steady flow of regular charitable donations and keeping tight control over recurring costs. The results suffered from several large grants and legacies received in 2004/05 not being repeated in 2005/06 and high ship repair and fuel costs. The main changes from 2004/05 were:

- Revenue from voyage fees increased by 1% (offset by a reduction from 2004/05 in other subsidiary income notably a donation for maintenance costs and less insurance income as legislative changes prevented the Trust selling it directly as before).
- Ships costs increased mainly due to repairs to a cutlass bearing and propeller of £35K and rising prices requiring an additional £55K being needed for fuel.
- Recurring grant making trust income and donations increased to £431K, by more than the cost of raising these additional funds.
- Large grants of £242K and legacies of £100K not being repeated in 2005/06.
- Management and administration costs being reduced by 10%, saving £33K.

## **TALL SHIPS YOUTH TRUST**

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### **Financial Results for the Year Ended 28 February 2006 (continued)**

A further expense of operations was the five yearly major dry docking of Prince William in 2005/06 at a cost of £250K, following a similar amount for Stavros S Niarchos in the previous year. The net outgoing resources include £100K in respect of the amortisation over five years of these costs.

The Trust accordingly entered into additional borrowings of £360K to fund development activities and working capital in order to expand fundraising and other income generating activities.

The overall financial out-turn was that the net outgoing resources were £389K after adding back £286K of depreciation of the ships, so that the Trust ended the year with £9,102K in its unrestricted funds, mainly reflecting the £9,513K net book value of the ships, and £2,152K in its restricted and endowment funds, so that funds totalled £11,154K.

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

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

A key approach 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, and new and existing partnerships developed with other organisations who share our dedication to developing young people.

Resources are also being invested into developing the Trust's fundraising activities. There will be a lead-in time until the income generated starts to flow. However, the Trustees see this as key to putting the Trust's financial position onto a sounder footing.

The Trustees recognise that 2006/07 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 at least five 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.

## TALL SHIPS YOUTH TRUST

### REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### **Investment Powers and Investment Policy (continued)**

In 2005 the Trustees reviewed their policy that all funds not required for normal day-to-day operations plus all endowment and restricted fund amounts, should be held in interest bearing bank deposit accounts. Arising from this review it was 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 rate of return. The specialist charities' division of Bell Lawrie Investment Management, a division of Brewin Dolphin Securities, has been appointed to manage the Trust's portfolio of investments on a discretionary basis. The funds were invested in the latter part of the year and therefore it is too early for the Trustees to report on investment performance.

In May 2005, following an application by the Trustees to The Charity Commissioners for England and Wales, the Commissioners issued an order enabling the Trustees to apply a total return approach to its Endowment Trust assets. The Trustees applied the bank deposit interest earned on these assets to income until transfer of the assets to discretionary fund management at the end of November 2005, and applied equivalent amounts of the total return to income in the period until the end of February 2006, reflecting a total amount for the year of £41K, thus meeting the obligations set out in the trust deed of the Andrew Salvesen Endowment Trust. The unapplied total return of £23K of gains on revaluation of investments is held for application in 2006/07, when the Trustees will have a clearer understanding of the gains to be earned in a full year.

### **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 uses financial instruments including cash and investments, and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to utilise the finance raised for the Trust's operations.

The existence of these financial instruments exposes the Trust 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 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.

## **TALL SHIPS YOUTH TRUST**

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### **Risk Review (continued)**

#### **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 2006

---

**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 horizontal line extending from the 'M'.

Martin Jay CBE DL  
Chairman of the Council  
23 May 2006

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE**

### **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 2006 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated summary income and expenditure account, the balance sheets, and notes 1 to 26. 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 Trustees and Auditors**

The responsibilities of the Council (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 United Kingdom law and 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 if, in our opinion, the Report of the Council is not consistent with the financial statements, if 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 Legal & Administrative Details and the Report of the Council. 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 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 judgements made by the Council 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, 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 2006 and of the group's incoming resources and application of resources, including its income and expenditure, 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**  
23 May 2006

## **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 2006.

The results of the charity's trading subsidiary, Tall Ships Limited, has 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**

##### **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.

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

## **TALL SHIPS YOUTH TRUST**

### **PRINCIPAL ACCOUNTING POLICIES**

---

#### **Grants Receivable**

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

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

#### **Investment Income**

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

#### **RESOURCES EXPENDED**

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

- expenditure incurred directly 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.

#### **FOREIGN CURRENCIES**

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

## TALL SHIPS YOUTH TRUST

### PRINCIPAL ACCOUNTING POLICIES

---

#### TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation, net of depreciation. The costs of the new ships include all direct costs incurred before entry into service. Depreciation is calculated on all tangible fixed assets to write down the cost or valuation less estimated residual value by annual instalments over their expected useful lives. The 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 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 2006

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2006 £	Total 2005 £
<b>Incoming resources</b>						
Donations, membership & legacies	1	294,700	262,808	-	<b>557,508</b>	856,584
Activities in furtherance of the charity's objectives:						
Grants received	2	79,028	-	-	<b>79,028</b>	85,892
Income from subsidiaries	3	1,800,764	-	-	<b>1,800,764</b>	1,842,328
Income from branches	4	43,755	-	-	<b>43,755</b>	9,794
Investment income & interest	5	21,363	46,588	40,728	<b>108,679</b>	97,257
<b>Total incoming resources</b>		<u>2,239,610</u>	<u>309,396</u>	<u>40,728</u>	<u><b>2,589,734</b></u>	<u>2,891,855</u>
<b>Resources expended</b>						
Costs of generating funds						
Fundraising (including publicity)	6	155,595	-	-	<b>155,595</b>	83,350
Charitable expenditure:						
Direct charitable expenditure	6	2,544,389	398,663	-	<b>2,943,052</b>	2,846,158
Management, administration and finance costs		302,646	-	-	<b>302,646</b>	335,239
<b>Total resources expended</b>	6	<u>3,002,630</u>	<u>398,663</u>	<u>-</u>	<u><b>3,401,293</b></u>	<u>3,264,747</u>
<b>Net (outgoings) before transfers</b>		(763,020)	(89,267)	40,728	<b>(811,559)</b>	(372,892)
Transfers between funds	17-19	29,121	10,735	(39,856)	-	-
Gains on revaluation of investments		<u>99,999</u>	<u>12,593</u>	<u>23,397</u>	<u>135,989</u>	-
<b>Net (outgoing)/incoming resources for the year</b>		(633,900)	(65,939)	24,269	<b>(675,570)</b>	(372,892)
Fund balances brought forward at 1 March 2005		<u>9,736,231</u>	<u>1,261,254</u>	<u>932,971</u>	<u><b>11,930,456</b></u>	<u>12,303,348</u>
<b>Fund balances carried forward at 28 February 2006</b>		<u><u>9,102,331</u></u>	<u><u>1,195,315</u></u>	<u><u>957,240</u></u>	<u><u><b>11,254,886</b></u></u>	<u><u>11,930,456</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 2006

---

	Note	2006 £	2005 £
Gross income from charity		748,242	1,010,087
Gross income from activities of subsidiaries			
Continuing	3	1,800,764	1,842,328
		<hr/>	<hr/>
Total income		<b>2,549,006</b>	2,852,415
Total expenditure			
Continuing		3,401,293	3,264,747
		<hr/>	<hr/>
Total expenditure		<b>3,401,293</b>	3,264,747
Net (outgoings)/income for the year before transfers			
Continuing		<b><u>(852,287)</u></b>	<b><u>(412,332)</u></b>

Total income comprises £2,239,610 (2005: £2,301,309) for unrestricted funds and £309,396 (2005: £551,106) for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities.

Turnover of trading activities amounted to £1,800,764 (2005: £1,842,328). A detailed analysis of trading results is shown in note 3.

Detailed analysis of expenditure is provided in the statement of financial activities and note 6.

The summary income and expenditure account is derived from the statement of financial activities on page 23 and excludes all income and expenditure on the endowment funds. The statement of financial activities together with the notes on pages 26 to 36, provides full information on the movements during the year on all the funds of the Charity.

# TALL SHIPS YOUTH TRUST

BALANCE SHEETS AT 28 FEBRUARY 2006

	Note	Consolidated		Tall Ships Youth Trust	
		2006	2005	2006	2005
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10	<b>9,537,834</b>	9,833,217	<b>9,537,834</b>	9,833,217
Investments	11	-	1	<b>160,409</b>	160,410
		<b>9,537,834</b>	9,833,218	<b>9,698,243</b>	9,993,627
<b>Current assets</b>					
Stocks		<b>19,451</b>	12,294	<b>904</b>	1,305
Debtors	12	<b>668,525</b>	427,486	<b>314,994</b>	143,041
Investments	13	<b>1,574,662</b>	9,032	<b>1,574,662</b>	9,032
Cash at bank and in hand		<b>460,535</b>	2,328,795	<b>443,513</b>	2,238,371
		<b>2,723,173</b>	2,777,607	<b>2,334,073</b>	2,391,749
<b>Creditors: amounts falling due within one year</b>	14	<b>593,767</b>	568,181	<b>342,719</b>	320,375
<b>Net current assets</b>		<b>2,129,406</b>	2,209,426	<b>1,991,354</b>	2,071,374
<b>Total assets less current liabilities</b>		<b>11,667,240</b>	12,042,644	<b>11,689,597</b>	12,065,001
<b>Creditors: amounts falling due after one year</b>	15	<b>412,354</b>	112,188	<b>412,354</b>	112,188
		<b>11,254,886</b>	11,930,456	<b>11,277,243</b>	11,952,813
<b>Capital funds</b>					
Endowment funds	17	<b>957,240</b>	932,971	<b>957,240</b>	932,971
<b>Income funds</b>					
Restricted funds	18	<b>1,195,315</b>	1,261,254	<b>1,195,315</b>	1,261,254
Unrestricted funds	19	<b>9,102,331</b>	9,736,231	<b>9,124,688</b>	9,758,588
		<b>11,254,886</b>	11,930,456	<b>11,277,243</b>	11,952,813

The financial statements were approved by the Trustees on 23 May 2006

Martin Jay CBE DL  
Chairman of the Council  
23 May 2006

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 2006

### 1 DONATIONS, MEMBERSHIP AND LEGACY INCOMING RESOURCES

An analysis of these incoming resources by category is:

	2006	2005
	£	£
Donations	368,803	576,883
Legacies	126,333	222,016
Membership	62,372	57,685
	<u>557,508</u>	<u>856,584</u>

### 2 GRANTS

Material grants receivable during the year were as follows:

		2006	2005
Category	Source	£	£
Youth Work	Department for Education and Skills	28,278	28,392
Youth Work	Association of Sea Training Organisations	50,750	57,500
		<u>79,028</u>	<u>85,892</u>

### 3 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES

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

	2006	2005
	£	£
Turnover	1,920,292	1,966,935
Less: Income transferred from Trust	(119,528)	(124,607)
	<u>1,800,764*</u>	<u>1,842,328*</u>
Operating (charges)/income		
Direct Charitable	(2,236,779)	(2,090,430)
Other income - subvention receipt	296,428	168,764
	<u>(139,587)</u>	<u>(79,338)</u>
Operating profit/(loss)		
Interest receivable	20,847	5,798
	<u>(118,740)</u>	<u>(73,540)</u>
Net (loss)/profit		
less: Covenanted payment to Trust	(788)	(51,666)
Add: Income transferred from Trust	119,528	124,607
	<u>-</u>	<u>(599)</u>
Retained in subsidiaries		

\* 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 2006

---

The net assets and liabilities of the subsidiaries were:

	2006	2005
	£	£
Fixed and Current assets	770,907	627,677
Creditors: amounts falling due within one year	<u>(632,860)</u>	<u>(489,630)</u>
Total net assets	<u>138,047</u>	<u>138,047</u>
Aggregate of share capital and reserves	<u>138,047</u>	<u>138,047</u>

### 4 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 £183,471 (2004: £260,256) in the year. From this £139,716 (2004: £250,462) is recorded in the statement of financial activities mainly as voyage fees within Income from Subsidiaries. The balance of the amount raised by branches of £43,755 (2004: £9,794) represents income not directly expended on voyage fees in the year.

### 5 INVESTMENT INCOME

	2006	2005
	£	£
Investment income comprises income from:		
Listed investments	-	629
Bank deposits	<u>108,679</u>	<u>96,628</u>
	<u>108,679</u>	<u>97,257</u>

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### 6 ANALYSIS OF RESOURCES EXPENDED

	2006 £	2005 £
<b>Cost of generating funds</b>		
Fundraising	<b>155,595</b>	83,350
<b>Charitable Expenditure</b>		
Direct Charitable Expenditure		
Subsidiaries' operating costs and youth work	<b>2,236,779</b>	2,092,726
Depreciation of Ships	<b>286,378</b>	286,393
Branch expenses including grants to voyage crew	<b>21,232</b>	76,553
Voyage fees and other costs paid from restricted and endowment funds	<b>398,663</b>	390,486
Management, Administration & Finance Costs		
Charity overhead expenses	<b>293,425</b>	325,933
Net interest payable on bank loan	<b>9,221</b>	9,306
<b>Total Resources Expended</b>	<b><u>3,401,293</u></b>	<b><u>3,264,747</u></b>
Total resources expended include:		
Auditors remuneration		
Audit services	<b>21,250</b>	18,550
Non-Audit services - Tax	<b>2,300</b>	2,200
- Other	-	4,100
Depreciation and amortisation		
Tangible fixed assets, owned	<b>298,505</b>	303,318
Operating lease rentals	<b><u>25,121</u></b>	<b><u>25,799</u></b>

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### 7 EMPLOYEES

Employee costs during the year were as follows:

	2006 £	2005 £
Wages and salaries	317,587	305,424
Social security costs	32,478	32,210
Other pension costs	20,899	23,127
	<u>370,964</u>	<u>360,761</u>

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

	2006	2005
Management and administration	<u>11</u>	<u>11</u>

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

### 8 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 2 (2005: 10) Trustees during the year in total amounted to £1,496 (2005: £2,364) and can be analysed as follows:

	2006 £	2005 £
Travel and Subsistence	<u>1,496</u>	<u>2,264</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 £775,570 (2005: £370,145 deficit) that is dealt with in the financial statements of the charity. This is stated after the subvention payment of £296,428 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 3.

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

### 10 TANGIBLE FIXED ASSETS

<b>Consolidated</b>	<b>Ships</b>	<b>Computers, Fixtures and Equipment</b>	<b>Total</b>
	£	£	£
Cost			
At 1 March 2005	11,083,198	129,847	<b>11,213,045</b>
Additions	-	3,122	<b>3,122</b>
Disposals	-	-	-
At 28 February 2005	11,083,198	132,969	<b>11,216,167</b>
Depreciation			
At 1 March 2005	1,283,347	96,481	<b>1,379,828</b>
Provided in the year	286,378	12,127	<b>298,505</b>
On disposal	-	-	-
At 28 February 2005	1,569,725	108,608	<b>1,678,333</b>
Net book amount at 28 February 2006	<b>9,513,473</b>	<b>24,361</b>	<b>9,537,834</b>
Net book amount at 29 February 2005	9,799,851	33,366	9,833,217

### 11 FIXED ASSET INVESTMENTS

	<b>Consolidated</b>		<b>Tall Ships Youth Trust</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	£	£	£	£
Investment in Subsidiary undertakings	-	-	<b>160,409</b>	160,409
Other investments	-	1	-	1
Total	-	1	<b>160,409</b>	160,410

At 28 February 2006 the charity held the whole of the issued share capital of the following active subsidiaries – Tall Ships Limited engaged on the operation of tall ships, and Tall Ships Races Limited engaged on the development and promotion of sailing training internationally. The charity also held the whole of the issued share capital of the following dormant companies – 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.

During the year 2004/05 the Trust was donated shares in a newly quoted company at the time of flotation on the Alternative Investment Market. These shares came with a requirement that they cannot be sold for a minimum of two years. The value of these shares was assessed at the time of receipt and a nominal value recorded in the books as income. This investment has been transferred to Current Asset Investments at year end to reflect the likelihood of disposal when market conditions are deemed suitable – see Note 13.

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

### 12 DEBTORS

	Consolidated		Tall Ships Youth Trust	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	91,819	59,298	-	-
Amounts owed by group undertakings	-	-	229,166	101,817
Unamortised dry docking costs	446,783	313,012	-	-
Other debtors	121,479	46,416	77,384	32,464
Prepayments	8,444	8,760	8,444	8,760
	<b>668,525</b>	<b>427,486</b>	<b>314,994</b>	<b>143,041</b>

### 13 CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2006	2005	2006	2005
	£	£	£	£
Listed investments (in the UK)	1,364,507	-	1,364,507	-
Cash held as part of portfolio	200,484	-	200,484	-
Unlisted investments (in the UK)	9,671	9,032	9,671	9,032
	<b>1,574,662</b>	<b>9,032</b>	<b>1,574,662</b>	<b>9,032</b>

Listed investments are stated at the lower of trustees' valuation or their market value as at the balance sheet date.

In 2004/05 the Trust was donated 594,500 ordinary shares in a company quoted on the Alternative Investment Market. These shares have a restriction in that they cannot be disposed of until after 17 September 2006. At the balance sheet date these shares had a market value based on the published price at that date of £126,331. The Trustees have valued the investment at £100,000 since in their opinion the disposal of a holding of this size could not be absorbed by the market without a significant effect on the share price. At 28 February 2005 these shares were treated as a fixed asset investment at a nominal value of £1 – see Note 11.

Of the remaining listed investments, £1,264,506 is invested in a portfolio of investments managed by the Trust's investment managers. Including the cash held as part of the portfolio, the value of the investments at the 28 February 2006 was apportioned: 10% UK bonds, 57% UK equities, 23% overseas equities and 10% cash.

Unlisted investments have been valued at market value.

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

	Consolidated		Tall Ships Youth Trust	
	2006	2005	2006	2005
	£	£	£	£
Bank loan	104,708	44,874	104,708	44,874
Payments on account	218,980	283,136	-	-
Trade creditors	42,087	43,035	10,672	22,750
Amounts owed to group undertakings	-	-	152,646	140,007
Social Security and other taxes	8,963	8,655	-	-
Other creditors and accruals	219,029	188,481	74,693	112,744
	<b>593,767</b>	<b>568,181</b>	<b>342,719</b>	<b>320,375</b>

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

### 15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2006	2005	2006	2005
	£	£	£	£
Bank and other loans	<b>412,354</b>	112,188	<b>412,354</b>	112,188

A bank loan with Lloyds TSB Bank plc with a balance outstanding of £157,062 had been secured by a fixed legal charge over Prince William and a floating legal charge over the assets of the company. In February 2006 the bank agreed to release all legal charges and therefore the bank loan is now unsecured.

During the year, two further loans were negotiated totalling £360,000. Of this amount, £160,000 was loaned by a Trustee and his wife at an interest rate of 5%. These loans are also unsecured.

### 16 BORROWINGS

Borrowings are repayable as follows:

	Consolidated		Tall Ships Youth Trust	
	2006	2005	2006	2005
	£	£	£	£
Within one year				
Bank and other borrowings	<b>104,708</b>	44,874	<b>104,708</b>	44,874
After one and within two years				
Bank and other borrowings	<b>312,354</b>	89,751	<b>312,354</b>	89,751
After two and within five years				
Bank and other borrowings	<b>100,000</b>	22,437	<b>100,000</b>	22,437
	<b>517,062</b>	157,062	<b>517,062</b>	157,062

### 17 ENDOWMENT FUNDS

	Andrew Salvesen	Michael Crocker	Nova Scotia	Lord Burnham	Total
At 1 March 2005	900,000	8,858	8,150	15,963	<b>932,971</b>
Incoming resources	39,900	278	122	472	<b>40,772</b>
Transfers	(39,900)	-	-	-	<b>(39,900)</b>
Other recognised gains	22,667	227	201	302	<b>23,397</b>
At 28 February 2006	<b>922,667</b>	<b>9,363</b>	<b>8,473</b>	<b>16,737</b>	<b>957,240</b>

## TALL SHIPS YOUTH TRUST

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

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.

#### 18 RESTRICTED FUNDS

	Specific Funds £	International Fund £	Total £
At 1 March 2005	332,727	928,527	<b>1,261,254</b>
Incoming resources	272,981	36,415	<b>309,396</b>
Expenditure	(277,874)	(120,789)	<b>(398,663)</b>
Transfers	(37,474)	48,209	<b>10,735</b>
Other recognised gains	-	12,593	<b>12,593</b>
	<hr/>	<hr/>	<hr/>
At 28 February 2006	<u>290,360</u>	<u>904,955</u>	<u><b>1,195,315</b></u>

The Specific Funds are donations made to the Trust to be used for specified purposes. At 28 February 2006 there were 60 separate funds (2005 : 43).

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 the year 2005/06 a grant of £25,000 was made from the International Fund to the Trust, in order to provide bursaries for young people participating in the Trust's Voyages of Understanding.

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

### 19 UNRESTRICTED FUNDS

	£
<b>Consolidated</b>	
At 1 March 2005	9,736,231
Incoming resources	2,239,610
Expenditure	(3,002,630)
Transfers	29,121
Gains on revaluation of investments	99,999
	<u>9,102,331</u>
At 28 February 2006	<u>9,102,331</u>
	£
<b>Tall Ships Youth Trust</b>	
At 1 March 2005	9,758,588
Incoming resources	626,439
Expenditure	(1,390,247)
Transfers	29,909
Gains on revaluation of investments	99,999
	<u>9,124,688</u>
At 28 February 2006	<u>9,124,688</u>

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 £	Restricted Funds £	Endowment Funds £	Total £
<b>Consolidated</b>				
Tangible fixed assets	9,537,834	-	-	9,537,834
Current assets	570,618	1,195,315	957,240	2,723,173
Current liabilities	(593,767)	-	-	(593,767)
Creditors: due after one year	(412,354)	-	-	(412,354)
	<u>9,102,331</u>	<u>1,195,315</u>	<u>957,240</u>	<u>11,254,886</u>
<b>Tall Ships Youth Trust</b>				
Tangible fixed assets	9,537,834	-	-	9,537,834
Investments	160,409	-	-	160,409
Current assets	181,518	1,195,315	957,240	2,334,073
Current liabilities	(342,719)	-	-	(342,719)
Creditors: due after one year	(412,354)	-	-	(412,354)
	<u>9,124,688</u>	<u>1,195,315</u>	<u>957,240</u>	<u>11,277,243</u>

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

### 21 ANALYSIS OF CHANGES IN NET DEBT

	At 1 March 2005 £	Cash Flows £	Other changes £	At 28 February 2006 £
<b>Net Debt</b>				
Cash at bank and in hand	2,328,795	(1,868,260)	-	<b>460,535</b>
Debt due within 1 year	(44,874)	0	(59,834)	<b>(104,708)</b>
Debt due after 1 year	(112,188)	(360,000)	59,834	<b>(412,354)</b>
Total	<u>2,171,733</u>	<u>(2,228,260)</u>	<u>-</u>	<u><b>(56,527)</b></u>

### 22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £	2005 £
(Decrease)/Increase in cash in the period	<b>(1,868,260)</b>	(511,560)
Repayment of loan	-	250,000
Receipt of loan	<b>(360,000)</b>	-
Change in net debt	<b>(2,228,260)</b>	(261,560)
Net debt at 1 March 2005	<u><b>2,171,733</b></u>	<u>2,433,293</u>
Net funds at 28 February 2006	<u><b>(56,527)</b></u>	<u>2,171,733</u>

### 23 CAPITAL COMMITMENTS

There were no capital commitments at 28 February 2006 or 28 February 2005. No amounts were authorised but not yet contracted for.

### 24 CONTINGENT LIABILITIES

There were no contingent liabilities at 28 February 2006.

# TALL SHIPS YOUTH TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2006

---

### 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 7.

A number of the Trust's seagoing personnel have belonged to an industry wide pension scheme – the Merchant Navy Officers Pension Fund ('MNOFP'). 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. For FRS 17 purposes although the employers' contribution to the MNOFP 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 MNOFP as if it were a defined contribution scheme. At 28 February 2006 the Trust's share of the deficit was £76,365. It has been agreed that this liability can be settled by annual instalments over a ten year period.

### 26 LEASING COMMITMENTS

Operating lease payments amounting to £25,121 (2005: £25,757) are due within one year. The leases to which these amounts relate expire as follows:

	2006		2005	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	19,500	912	19,500	912
Between two and five years	-	4,709	-	5,345
	<u>19,500</u>	<u>5,621</u>	<u>19,500</u>	<u>6,257</u>

TALL SHIPS YOUTH TRUST

2A The Hard, Portsmouth, Hampshire, PO1 3PT

Tel: +44 (0) 23 9283 2055 Fax: +44 (0) 23 9281 5769

e-mail: [info@tallships.org](mailto:info@tallships.org)

[www.tallships.org](http://www.tallships.org)