



**TALL SHIPS
YOUTH TRUST**

**Financial Statements
Year Ended 28 February 2009**

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 www.tallships.org
Charity No 314229
A Company Limited by Guarantee
Registered in England No 567460**

TALL SHIPS YOUTH TRUST

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

CONTENTS	Page
Reference and Administrative Details	1-2
Report of the Trustees	3-17
- Objects and Powers	3
- Review of Activities	3
- Strategic Review – Purpose, Vision and Values	3
- Over Fifty Years of Achievement	3
- Recent Developments and Financial Position	4
- Charitable Mission – Young People	5
- Tall Ships Academy	8
- Stavros S Niarchos, Prince William, Challenger 1, 2, 3, 4	8
- Promoting the Trust	11
- Day to Day Fundraising Activity	12
- Chairman’s Fundraising Campaign – Young People First	12
- Volunteers	12
- Structure, Governance and Management	13
- Financial Results for the Year Ended 28 February 2009	14
- Future Financial Prospects and Reserves Policy	15
- Investment Powers and Investment Policy	15
- Statement of Trustees’ Responsibilities	16
- Auditors	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

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2009

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

Charity Number 314229

Company Number 567460

Principal Office 2A The Hard, Portsmouth, PO1 3PT

Patron His Royal Highness The Duke of York KG KCVO

Vice-Patrons Admiral the Lord Boyce GCB OBE DL
The Right Honourable Lord Butler of Brockwell KG GCB CVO
Mr I A Carruthers (appointed 8 July 2008)
Mr D de Laszlo
Mr D Darbyshire
Mr M A C Drummond OBE DL JP
Mr M Grade CBE
Lord Greenway (appointed 2 December 2008)
Mr J Hardie (appointed 3 March 2009)
Mr R Morley
Mr A C Salvesen
Mr M Slade
Mr B A Stewart
Mr I Ventham
Mrs C Williams

Trustees Mr M P Aiken
Mr T P Allen
Mr M Broughton
Mr I A Carruthers (stood down 8 July 2008)
Mr P Coleman
Mr W D Cormie MA CA
Mr M R Dixon
Mr W M Garnett
Lord Greenway (stood down 31 August 2008)
Vice Admiral M Gretton CB CVO MA
Mr M Jay CBE DL
Mr J Lennox (appointed 23 October 2009)
Mr O Michaelson (appointed 27 July 2009)
Mr G W Pritchard-Gordon
Mr S J Roberts
Surgeon Lt C Wake RN
Mr R H Williams (stood down 8 July 2008)

TALL SHIPS YOUTH TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2009

Chief Executive	Mrs C A Law
Company secretary	Blakelaw Secretaries Limited
Auditors	Grant Thornton UK LLP No 1 Dorset Street Southampton SO15 2DP
Solicitors	Blake Laphorn Tarlo Lyons Harbour Court Compass Road North Harbour Portsmouth PO6 4ST
Investment Managers	Bell Lawrie Investment Management PO Box No 8 7 Drumsheugh Gardens Edinburgh EH3 7QH
Bankers	Clydesdale Bank plc Royal Bank of Scotland plc Lloyds TSB Bank plc

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

The Trustees of the Tall Ships Youth Trust present their report and the audited financial statements for the year ended 28 February 2009

Objects and Powers

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

Review of Activities

The Trust had another busy year in 2008/09 with its fleet of two 493 gross ton square-rigged Brigs and four 38 gross ton ocean going yachts providing voyages for young people 12 months of the year.

Strategic Review - Purpose, Vision and Values

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

In the latest review, the Trustees reaffirmed the Trust's Purpose as "the personal development of young people through the crewing of Tall Ships" and agreed that we will deliver this by:

- Focusing largely on young people aged 14 to 25
- Encouraging diversity and a mix of young people
- Recruiting predominantly from the UK but enabling a multi-national mix

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

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

Over Fifty Years of Achievement

The Tall Ships Youth Trust, formerly known as The Sail Training Association, is the world's oldest and largest sail training charity dedicated to the Personal Development of Young People aged 14 to 25. Formed in 1956, over 85,000 trainees have sailed 1.5M nautical miles on our fleet of vessels – currently two 200ft Brigs Stavros S Niarchos and Prince William, and four 72ft ocean going Challenger yachts and, before them, two 120ft schooners Malcolm Miller and Sir Winston Churchill.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Over Fifty Years of Achievement (continued)

Over the years, as the Trust has developed and taken more and more young people to sea, we have introduced new and unique youth initiatives:-

- Tall Ships Academy (development programme for young people recommended to come back as volunteers, endorsed by the Royal Yachting Association and the Maritime and Coastguard Agency).
- Youth Mentor Scheme (professionally qualified teachers/youth workers sailing as volunteers to provide support and direction to young trainees)
- Voyages of Understanding® (multi-national/cultural/faith, diversity voyages).
- Dedicated voyages for 14 and 15 year olds.

Recent Developments and Financial Position

We have achieved some significant financial successes since 2000. These include building two Brigs on time, on budget and, having funded all (except £75K) of the £11M cost and driving up income raised from £1.3M to £2.3M per annum. These have been achieved with 30% fewer Head Office staff than our nearest comparison charity.

Meanwhile, costs have risen in line with inflation and our vessels must be maintained to the highest safety standards against a background of increasingly stringent legislation. In the face of this growing financial pressure, over the last few years we have implemented numerous cost cutting measures including staff redundancies and explored other options such as vessel lay-up and merger with Jubilee Sailing Trust.

Nevertheless, by 2006/07 we were operating at a deficit before depreciation and exceptional items. With no cash reserves, this financial gap was covered by borrowing so that our debts by early 2007 were £900K.

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

The decision to implement the change of fleet was taken by the Trust's Council in May 2007 on the basis of a detailed Feasibility Report which included five year P&L and cashflow projections. These showed the Trust's annual deficits turning into surpluses once the mixed fleet was established.

The first two Challengers were delivered in October 2007, becoming fully operational in January 2008. The second two were delivered in January 2008, becoming fully operational in April 2008. These huge operational changes were delivered without any extra staff and we thank all of those who have contributed to this significant business restructuring in such a short timeframe and without any additional resources.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Recent Developments and Financial Position (continued)

Reaction to the Challengers has been extremely positive with young people, funders and supporters seeing the benefits of this “dynamic and creative solution” including the opportunity to attract a whole new audience of young people. Berths continue to sell well.

Between May and December 2007, we raised £1.26M from our supporters to implement the Challenger initiative. Since then, a development loan of £200K has been received from the Charities Aid Foundation and bridging finance of £1.5 million pending the sale of a Brig has been secured from Clydesdale Bank plc. Based on the professional advice we received, we believe that the sale of one of our Brigs should release sufficient funds to repay all of these debts and provide more bursary funds for young people who otherwise would not be able to sail with us.

With the Challengers fully operational, the berths selling well and the new fundraising campaign gathering momentum (see later sections), we have put together revised P&L and cashflow figures to February 2011. These show an improvement in operating performance on ordinary activities from a loss position in 2008/09 to a surplus in 2009/10. In summary, the Trust’s underlying business model, based on the new mixed fleet, is sound.

Charitable Mission – Young People

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

Our target for 2008/09 was to increase the number of young people sailing with us by 5%. In fact, we achieved a 7% increase by developing the scope and diversity of our work with young people in a number of ways.

Firstly, we set about developing more active partnerships with other youth organisations, particularly those working with disadvantaged and disabled young people. These included schools, youth organisations representing young people not in employment, education or training (NEET) and those from black and minority ethnic (BME) backgrounds as well as local authorities and youth offending teams across the UK. The arrangements ranged from informal partnerships to formal contracts supported by detailed service level agreements.

Secondly, we encouraged more young people to apply to the Trust’s Bursary Scheme. This uses the funds raised by Head Office to offer financial assistance to young people who otherwise would not be able to afford a voyage. A simple application process, which can be verbal for those who have difficulty reading and writing, screens the young person and, as needed, offers them support as they prepare for their voyage.

Thirdly, we launched several new activities to attract and involve more young people. For example, with £¼ million generously granted from The Foundation for Sport and the Arts we have developed a new race series for the Challengers which should help us to attract and

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Charitable Mission – Young People (continued)

engage with more disadvantaged young people over the next 5-10 years. We ran three Challenger Race Weeks, each involving all four Challengers in 2008/09 and three more are planned for 2009/10. The focus of each race week is sail training and helping young people to develop rather than on racing. Typically, a race week starts with four days of familiarisation and race sail training. Then there are inter-yacht competitions that might involve rowing or hoisting the main sail against the clock. Finally there is a day of racing with the young people fully in charge from helming and winching the sails to manning the galley and cleaning down the yachts afterwards. During the week, there will also be one-to-one sessions with each young person to explore with them how they might continue sailing after the race event and to put them in contact with one of the Trust's volunteer support groups so that they receive ongoing encouragement when they return home.

There is no question that the addition of the Challengers has added a new and valuable dimension to our work with young people. For those who prefer small settings and/or are frightened of heights, the Challengers are an ideal developmental environment. Longer-term, they should also give us more opportunities to develop our work with disabled and challenging young people because of their smaller setting and 1:2 staff:child ratio (compared to the Brigs' 1:3 ratio) which provides a focused, intensive environment for youth work.

The Challengers also support our aim to engage with more youth organisations. With the new emphasis on education outside the classroom and co-curriculum learning, there is an increasing demand from schools and youth groups for outdoor activities, such as sail training, to be dedicated to their group of 10-20 young people. The Brigs, with their 48 youth berths, do not allow us to accommodate these requests. The Challengers on the other hand, each taking 12 young people, have encouraged many organisations that regularly send their young people on Brig voyages to book additional voyages on the Challengers.

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

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

Our statistical evaluations of 700 young people in 2007/08, externally validated by VT Education, an independent, specialist consultant, have provided empirical evidence of improvements in life skills:-

- Over 70% said that their problem solving skills had improved after a voyage
- Over 80% said that they were better communicators
- Over 90% said that they were better team players

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Charitable Mission – Young People (continued)

Research from Loughborough University, funded by the HSBC Global Education Trust, was published in August 2008 and supports the Trust's findings. Evidence was taken over a three year period ending October 2007 from 192 pupils from 45 schools:-

- 78% reported improved communication skills
- 78% said they had developed greater self-reliance
- 88% had gained life experience
- 95% reported increased confidence and self-esteem
- 97% said they had enjoyed the voyage and had fun

At the end of the evaluation, the researchers reported that "The voyages had an unanticipated impact on the culture of some of the schools, becoming an established and valued part of their educational calendar." They concluded that "There is strong evidence that participation in the Trust's voyages influences young people's general life aspirations."

A total of 1,376 young people sailed 10,711 voyage nights with the Trust in 2008/09, an increase of 7% on the previous year. This represents approximately 20% of the UK youth sail training market.

As a result of the new partnerships being forged with other youth groups, the number of disadvantaged and disabled young people in 2008/09 increased 7% on the previous year. Now making up 43% of the total (disadvantaged 33%, disabled 10%), this is approximately double the national average.

In terms of other demographic breakdowns, the male:female split was 55%:45% with 4% being non white and 4% non UK.

Continuing the trend of the last few years, the number of young adults (those aged 18 to 25) who chose to sail on 18+ voyages rather than on 16-25 year old voyages remained high at 21%. This meant that 19% of the berths on 18+ voyages were filled with young people. Their feedback indicates that the inter-generational dimension of these voyages is proving popular with the more diverse range of life experiences giving young people added benefit.

Key objectives for the trust's work with young people in 2009/10 include:-

- Increasing the number of young people sailing by at least 5%
- Developing new activities to attract and involve more young people including exploring the options for new voyage types eg 12-13 year old voyages, voyages focused on more intensive work with young offenders and disabled young people
- Undertaking a far reaching review of policy and practice on board in relation to our work with young people.
- Producing new promotional material targeted at teachers/youth workers

In summary, 2008/09 was another successful year for the Trust in delivering its core mission. We would like to thank all of the young people who sailed with us as well as those who helped to support the cost of their voyage.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Tall Ships Academy

The Trust's training programme for young people is endorsed by the Royal Yachting Association (RYA) and Maritime and Coastguard Agency (MCA) and operates under the banner of the "Tall Ships Academy". A world first, the programme gives young people a path from their first experience as Voyage Crew to volunteering on the Trust's vessels and then, for those who wish it, onto a career at sea. Some 20% of young people are recommended at the end of their voyage to come back as Volunteer Crew and follow the training programme.

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

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

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

The Academy programme is well established on the Brigs so our priority for 2008/09 was to develop and implement a comparable training programme for the Challengers. In addition, we have been encouraging our existing, experienced Volunteer Crew to sail in the otherwise paid roles of Challenger Skipper and Mate. By the end of 2008/09, the first year of operating the Challengers, 12 Volunteers were rostered to sail as Mates and Skippers.

The Academy's objectives for 2009/10 include:-

- Amending the existing Training Record Log Book, which outlines the Academy syllabus for the Brigs, to incorporate the Challengers.
- Drafting an Instruction Manual for the Challengers (similar to that for the Brigs and cross referenced to the amended Training Log Book).
- Encouraging and training another 5 experienced Trust Volunteers to sail as Challenger Skippers and Mates.
- Developing advanced training programmes for Watch Leaders progressing to Challenger Mates and Mates progressing to Skippers.
- Recruiting more experienced, qualified sailors from outside the Trust to join the Volunteer Crew

Stavros S Niarchos, Prince William, Challenger 1, 2, 3, 4

As the financial year began, Stavros S Niarchos was completing her 2007/08 winter in the Caribbean before sailing to the Azores in April and then back to the UK at the beginning of

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Stavros S Niarchos, Prince William, Challenger 1, 2, 3, 4 (continued)

June for the start of her busy summer programme in UK waters. Highlights included the HSBC Global Education Trust Voyage of Achievement and taking part in the Liverpool European City of Culture 2009 Event in July, during which our young crew hosted a visit by our Patron HRH Prince Andrew. 48 young people from Merseyside, sponsored by our local volunteer support, sailed Stavros into Liverpool and another 48 young people sponsored by Liverpool City Council sailed the ship out. After autumn voyages round Scotland and Wales, Stavros headed south to the Canaries in November via La Coruna and Gibraltar. As the year ended, Stavros was sailing to a two month stay in the Balearics.

Meanwhile, by the time the year began, we had trained all of the Trust's Salaried Crew and 300 of its 1,300 Volunteer Crew on the Challengers® ready to begin their first full sailing season. We had decided to buy four Challengers so that they could accommodate the same number of Trainees as the Brig they replaced. In addition, we had planned to flex the number operated (2, 3 or 4) and where they were deployed depending on the time of year and forward bookings. This approach proved sound in 2008/09. We deployed two Challengers in Madeira, the Canaries and Balearics from January until May 2008, bringing them back to the UK in June. Meanwhile the other two challengers did a variety of voyages for organisations such as the Rank Foundation and the RYA Youth Squad and were used to develop other new initiatives such as voyages for 14 and 15 year olds. All four Challengers sailed together for several special events including a Round Britain Youth Challenge and the Foundation for Sport and the Arts Race Week. At the end of the summer, two Challengers joined the ARC, sailing to the Caribbean to finish the year in St Lucia, Grenada and Antigua with the other two Challengers remaining in UK waters.

Bookings for the Challengers were strong in 2008/09 from both existing and new customers. As a result, even though 2008/09 was a very difficult trading year and the first year of operating the mixed fleet, income from selling berths was 6% up on the previous year with Challenger sales equal to those of the Brig they had replaced and the remaining Brig 23% up on the previous year's sales. Having established the Challenger Fleet in 2008/09, sales for the 2009/10 year are projected to increase significantly.

Sales and marketing priorities for 2009/10 include exploring options for new voyage products and activities including more voyage choice for disabled youngsters, voyages focused on more intensive work with young offenders and voyages for 12 and 13 year olds.

Another major new initiative in 2008/09 involved developing and implementing a new Customer Care Policy with the Salaried Crew covering four areas:-

- Guidelines (guide notes on attitudes and approaches for our Crew)
- Principles and Expectations (specific things we want our Crew to do)
- Customer Care Charter (a statement posted on all our vessels explaining what our Customers can expect from us)
- End of Voyage Questionnaire (a short feedback form to be used on 18+ voyages). Feedback forms are already used on 14-15 and 16-25 year old voyages).

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 vessels. The experience of the last

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Stavros S Niarchos, Prince William, Challenger 1, 2, 3, 4 (continued)

few 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.

However, with the arrival of the Challenger Fleet, the senior management teams of NMM and TSL decided to jointly review the split of respective tasks/responsibilities in 2008/09, once the mixed fleet had been operating for six months.

As a result of these discussions, NMM/TSL agreed that the NMM/TSL partnership remains very valuable and should continue but that to add most value to the TSL fleet, it needed to evolve from its original form. To this end NMM/TSL decided to transfer a number of tasks/responsibilities back from NMM to TSL with effect from 1 January 2009:-

- NMM retained responsibility for all operational and technical issues for the Brig, retained responsibility for emergency response co-ordination for all vessels (Brig and Challengers) and remained the employer of all Salaried Crew (Brig and Challengers).
- TSL took over operational and technical issues for the Challengers, rostering and travel arrangement for all crew (Brig and Challenger) and all aspects of managing the Volunteer Crew (Brig and Challengers).

Two new Head Office posts were created to absorb these new tasks/responsibilities although by restructuring the staff team, only one new member of staff had to be recruited.

By the end of the financial year, a new TSL Management System had been developed and implemented covering the relative responsibilities of individuals regardless of their work location (TSL, NMM or on the Challengers), relevant policies (eg safety, environment, purchasing) and procedures to deliver the policies in practise including the major incident plan. In addition, a new TSL Sailing Vessel Procedures Manual had been developed and implemented covering all on board procedures such as navigation and life saving equipment.

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

Total operating costs for the mixed fleet were £79K higher in 2008/09 than the previous year. Two factors contributed to this. Firstly, in addition to the Challenger commissioning completed in 2007/08 (upgrading the galley facilities, adding windlasses, life rafts and safety equipment), we spent an additional £50K on Challenger commissioning costs eg new sails, replacement of running rigging. Secondly, we spent an additional £35K on buying in Challenger Skippers and Mates to cover a busier than expected first operating year which in turn gave us insufficient time to train enough volunteers up.

Longer-term, the operating costs of the Challenger Fleet are expected to be 20% lower than those of the Brig they replaced. With day to day operational control now passed from NMM to Tall Ships Ltd, we expect these cost savings to start coming through in 2009/10. This together with the additional income we expect to generate from developing our markets in 2009/10 and beyond will significantly increase the Trust's overall financial stability.

As the year came to an end, we were delighted to hear that a very generous benefactor had decided to donate a 19 metre catamaran to the Trust. The new vessel will enable us to

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Stavros S Niarchos, Prince William, Challenger 1, 2, 3, 4 (continued)

develop our youth work with new groups of young people currently not catered for by our existing fleet. The catamaran has been extremely well maintained and equipped by its current owner and will provide an excellent and stable platform for sail training. In particular it will help us to extend our work with disabled youngsters, particularly those with limited mobility and conditions such as ADHD. We also plan to use it for 12 and 13 year olds, reducing the current entry age by two years. The catamaran will be delivered to Portsmouth in October 2009 for conversion to increase its suitability for the Trust's sail training needs. It will come into service in the spring of 2010.

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

Prince William was laid up ready for sale in November 2007 in Portsmouth's Naval Dockyard. As a result of very generous support from VT plc, the Trust only spent £40K including insurance on alongside costs in 2008/09. In March 2009, we were asked to move Prince William out of the Dockyard and after a short stay in Gunwharf Quays, Portsmouth, she moved in May to Dunston's Shipyard, Hull.

The Trustees decided to sell one of the Brigs as part of a reconfiguration of the fleet. The two Brigs were built in 2000 and 2001 as sister ships, to the Trust's specification and at a cost of £5.5 million each. The Trustees have been advised that the build cost of a similar Brig today would be in the region of £16 million. Since marketing of Prince William began, there has been a good level of interest from a broad spectrum of potential buyers ranging from sail training organisations and navies to individuals wanting her as is or for conversion. The process of selling the vessel could be a long one, not least because many of the organisations that have expressed interest would need to raise funding from sponsors, government bodies and other sources.

Promoting the Trust

During 2008/09, we continued our strategy of focussed PR and this proved very successful in promoting the Trust's work, leading to extensive coverage in national and regional newspapers, television and radio. Our e-newsletter enables us to reach our audience on a more regular basis at minimal cost and we continue to evolve the voyage brochures as a selling tool. Use of the on line booking facility grows with over 70% of bookings now coming in via this route. Website traffic is still very high with 6 million hits a year from some 300,000 unique visitors. The message board, virtual tour of the ships and ships' tracker (accurate to 100 metres) continue to be particularly popular with website visitors.

November 2008 saw the fourth Charity Yacht Regatta, organised to bring together Trust supporters and volunteers from around the UK, raise much needed funds to help support more young people and increase awareness of the Trust to the yachting world. Over 200 people took part in a fiercely contested "round the cans" race in the Solent finishing in Cowes with a dinner dance. The event raised over £5K for young people's bursaries.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Day to Day Fundraising Activity

The Trust's day to day fundraising activity remains focussed on increasing funds to subsidise more young people's berths. 2008/09 saw the expansion of the Trust's "Eventers" and many of our supporters rose to the challenge by taking part in sponsored walks, marathons and half marathons. As in the previous year, targeting grant making trusts proved very successful and generated 75% of the day to day fundraising income. A number of different "asks" were used, individually tailored to the criteria set by each trust. The remainder of the day to day fundraising income was split between individual donations, membership subscriptions and cash appeals. We thank all of those who supported the Trust's day to day fundraising activities over the year and helped to drive income up by £11K on 2007/08 despite the credit crunch.

Legacies were another very welcome and valuable source of income in 2008/09. We are extremely grateful to those who chose to donate in this way.

Chairman's Fundraising Campaign – Young People First

With cash reserves depleted following the implementation of the Challenger initiative, the Trust's Chairman, Martin Jay, launched a new fundraising campaign at the beginning of 2008 to raise much needed funds so that more young people could go to sea who would otherwise not get the chance.

The aim is to raise £5M over the next five years.

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

By the end of the 2008/09 year, the Campaign had raised £353K in donations and pledges (£272K in cash and £81K in goods/services in kind). Despite the financial downturn in 2008/09, this achievement reflected the strength and appeal of our work to potential donors.

Having established the Campaign, plans for 2009/10 include various activities to build the high level supporter base and Deck Receptions in June and November.

Volunteers

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

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Structure, Governance and Management

The Tall Ships Youth Trust is a charitable company limited by guarantee.

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

The company is administered under the control of the Trustees, sitting as the Council of Management, who have the general control of and responsibility for the management of the Trust and its subsidiary companies. The trading operations of the Trust are devolved to its wholly owned subsidiary, Tall Ships Limited.

As well as appointing directors to the subsidiary companies, the Council establishes other committees to deal with different aspects of the Trust's work as necessary.

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

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

In July/August 2008, Ian Carruthers, Ambrose Greenway and Roger Williams stood down as Trustees. More recently, on 27 July 2009, we appointed Owen Michaelson as a Trustee and we continue to look for others to fill the gaps in our Trustee matrix.

Three new Vice Patrons, Ian Carruthers, Ambrose Greenway and Jeremy Hardie were also appointed during the year. We thank all who gave of their time to act as Trustees and Vice Patrons during the year.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Financial Results for the Year Ended 28 February 2009

Outgoing resources for the year, net of income, were £1,630K (2007/08 £1,328K) and the Trust ended the year with £5,582K in its unrestricted funds and £2,160K in its restricted and endowment funds, so that total funds were £7,742K.

The deficit for the year of £1,630K included:

- Losses of £227K on investment assets, reflecting the downturn in market conditions
- Financing and related costs of £108K associated with the pending sale of Prince William
- Depreciation charges on the Brigs and the Challenger Yachts of £303K
- An outflow of resources from the International Fund of £233K, which is not directly related to the Trust's day to day operations. As explained in Note 19, this Fund has been ring-fenced within the Trust since 2002 and facilitates the development of young people through sail training at an international level. The Fund, which stood at £312K at February 2009, will be fully expended over the next two financial years.

The reduction in the Trust's net current assets of £1,405K was partly due to the loss of £227K on investment assets. The remaining £1,178K includes an increase of £882K in borrowing secured over Prince William.

Compared with 2007/08, the deficit for the year of £1,630K represents a £302K reduction in overall financial performance. This was due to a number of factors, most particularly significant valuation losses on the Trust's investments in 2008/09 as a result of the downturn in the stock market. In fact, the position before gains/losses on investments was £52K better than the 2007/08 result.

The major factors affecting the comparison of this year against the 2007/08 results were:

- Income from charitable activities was up by £184K due to additional revenue from voyage and associated operations.
- Expenditure on charitable activities was down by £151K compared to 2007/08. Ship related costs (Stavros S Niarchos, Challenger 1,2,3,4 and Prince William) were on a level with 2007/08, which included non-recurring write-offs and provisions of £276K not repeated in 2008/09. Bursaries to young people expended from restricted funds were £126K higher in 2008/09.
- Voluntary income was down by £241K largely:-
 - Day to day fundraising (grant making trusts, cash appeals, membership) were up £11K on 2007/08
 - Young People First Campaign cash received in 2008/09 was down by £140K. Two large donations received in 2006/07 towards the Challenger initiative were not repeated in 2008/09 but were more than balanced by £151K donation pledges and £80K gifts in kind (free berthing for Prince William in Portsmouth Naval Dockyard).
 - Legacies were £47K down, reflecting the variable nature of this type of income.
 - Grants were reduced by £51K due to the ending in March 2009 of a three year funded project.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

- Gains/losses on investments in 2008/09 were £354K worse than the previous year. In 2007/08 there was a net gain of £127K, mainly arising from the non-recurring sale of an investment. In 2008/09, as stated above, the value of the Trust's investments fell by £227K reflecting the downturn in market conditions, particularly those applying to its endowment funds.

Income generation and cost control remain the financial priorities of the Trust for the foreseeable future.

Future Financial Prospects and Reserves Policy

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

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

The Trust moved its banking arrangement in 2008/09 from Royal Bank of Scotland to Clydesdale Bank plc. Since then the Trust has increased its bridging facility with the bank, secured against Prince William and Challenger 4, to ensure that it has sufficient cash to enable it to operate its reconfigured fleet until the sale of Brig.

The Trustees recognise that 2009/10 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 more of the vessels have to be temporarily out of service. The Trustees have therefore set a goal of building available assets of the unrestricted funds to a level of between six and twelve months of our operating costs. We recognise that it will take a significant period of years to achieve this goal but, once achieved, it will protect the charitable work of the Trust's thousands of supporters of the past half century.

Investment Powers and Investment Policy

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

In 2005 the Trustees decided that the endowment funds amounting to £929K and £500K of the International restricted fund should be invested with the aim of earning a higher overall return than interest bearing deposits permitted. The specialist charities' division of Bell Lawrie Investment Management, a division of Brewin Dolphin Securities, were appointed to manage the Trust's portfolio of investments on a discretionary basis and with a medium risk profile. The annual investment return on the managed portfolio was -21%, which compares against a drop of 22.1% in the portfolio's benchmark index, the WM Charities Universe – Total Charities

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Investment Powers and Investment Policy (continued)

Index. The investments generate an estimated gross annual income of £27,418, a gross yield of 4.2%. The turbulent market conditions of 2008 and early 2009 have seriously affected the value of the portfolio and the position is being closely monitored.

Risk Review

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

The main financial risks 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.

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

Credit 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.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2009

Statement of Trustees' Responsibilities (continued)

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.

In so far as the Trustees are aware:

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

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

ON BEHALF OF THE TRUSTEES



Martin Jay CBE DL
Chairman of the Council
18 November 2009

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF TALL SHIPS YOUTH TRUST

We have audited the group and parent charitable company financial statements (the "financial statements") of Tall Ships Youth Trust for the year ended 28 February 2009 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated summary income and expenditure account, the consolidated and charitable company 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

The responsibilities of the trustees (who are also the directors of Tall Ships Youth Trust for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

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

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF TALL SHIPS YOUTH TRUST (CONTINUED)

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 28 February 2009 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements for the year ended 28 February 2009.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
SOUTHAMPTON
20 NOVEMBER 2009

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities (the SORP) issued in March 2005, and the Companies Act 1985. They have been prepared under the historical cost convention except for investments included at market value.

As set out in the Trustees' Report, the Trustees have implemented a strategy to reduce the Trust's operating costs over the long term. In the year to February 2009 bridging finance was secured pending the sale of one of the Trust's Brigs. Additional borrowing facilities have been arranged to ensure the stability of the Trust's operations, as the sale is unlikely to be completed until 2010. Current forecasts show that the bridging finance and the Trust's other borrowings will be repaid from the proceeds of a sale thus enabling the Trust to deliver its revised business plan. On the assumption that the bridging finance and the additional borrowing facilities will enable the Trust to meet its liabilities as they fall due, the Trustees consider it appropriate to continue to prepare the financial statements on a going concern basis.

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

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the charity and of its subsidiary undertakings (see note 12) drawn up to 28 February 2009. The results of the charity's trading subsidiary, Tall Ships Limited, have been consolidated on a line by line basis. Surpluses or deficits on intra group transactions are eliminated in full. The financial statements of the charity incorporate those of its branches, which prepare accounts to 31 December annually.

INCOMING RESOURCES

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.

Activities for Generating Funds

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

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

Investment income

Investment income is recognised when receivable.

Incoming Resources from Charitable Activities

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

Grants Receivable

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

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

RESOURCES EXPENDED

Expenditure is recognised when a liability is incurred.

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

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

FUND ACCOUNTING

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

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

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

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

FOREIGN CURRENCIES

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

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

INVESTMENTS

Assets held for investment purposes are included at market value.

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

STOCKS

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

RETIREMENT BENEFITS

Defined Contribution Scheme

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

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 2009

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2009 £	Total 2008 £
Incoming resources						
Incoming resources from generated funds						
Voluntary income	1	321,443	363,028	-	684,471	925,862
Activities for generating funds	2	43,398	-	-	43,398	35,147
Investment income		4,632	37,105	35,063	76,800	103,803
Incoming resources from charitable activities	3	<u>1,434,427</u>	-	-	1,434,427	1,250,494
Total incoming resources		<u>1,803,900</u>	<u>400,133</u>	<u>35,063</u>	2,239,096	2,315,306
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		317,320	-	-	317,320	294,486
Fundraising trading: costs of goods sold and other costs		25,840	-	-	25,840	29,638
Investment management costs		-	474	4,671	5,145	10,118
Charitable activities		2,582,389	552,453	-	3,134,842	3,286,513
Governance costs		51,409	-	-	51,409	52,472
Other costs		103,918	3,999	-	107,917	97,750
Total resources expended		<u>3,080,876</u>	<u>556,926</u>	<u>4,671</u>	3,642,473	3,770,977
Net (outgoings) before transfers		(1,276,976)	(156,793)	30,392	(1,403,377)	(1,455,671)
Transfers between funds	18-20	12,203	(2,078)	(10,125)	-	-
Gains/(losses) on investment assets		-	(15,483)	(211,707)	(227,190)	127,360
Net (outgoing)/incoming resources for the year		(1,264,773)	(174,354)	(191,440)	(1,630,567)	(1,328,311)
Fund balances brought forward at 1 March 2008		<u>6,846,795</u>	<u>1,576,898</u>	<u>949,211</u>	9,372,904	10,701,215
Fund balances carried forward at 28 February 2009		<u>5,582,022</u>	<u>1,402,544</u>	<u>757,771</u>	7,742,337	9,372,904

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 2009

	2009	2008
	£	£
Total income	2,204,033	2,282,896
Total expenditure	<u>3,637,802</u>	<u>3,766,203</u>
Net outgoings for the year before transfers	<u>(1,433,769)</u>	<u>(1,483,307)</u>

Total income comprises £1,803,900 (2008: £1,813,136) for unrestricted funds and £400,133 (2008: £469,760) for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities.

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

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

TALL SHIPS YOUTH TRUST

BALANCE SHEETS

AS AT 28 FEBRUARY 2009

	Note	Consolidated 2009 £	2008 £	Tall Ships Youth Trust 2009 £	2008 £
Fixed assets					
Tangible assets	11	8,963,140	9,240,887	8,963,140	9,240,887
Investments	12	-	-	160,409	160,409
		8,963,140	9,240,887	9,123,549	9,401,296
Current assets					
Stocks		8,735	5,252	250	250
Debtors	13	223,627	293,629	58,701	93,172
Investments	14	660,952	1,240,321	660,952	1,240,321
Cash at bank and in hand		150,074	103,828	51,315	73,007
		1,043,388	1,643,030	771,218	1,406,750
Creditors: amounts falling due within one year	15	(1,916,846)	(1,111,646)	(1,910,689)	(1,146,254)
Net current (liabilities) / assets		(873,458)	531,384	(1,139,471)	260,496
Total assets less current liabilities		8,089,682	9,772,271	7,984,078	9,661,792
Creditors: amounts falling due after more than one year	16	(347,345)	(399,367)	(219,385)	(266,531)
		7,742,337	9,372,904	7,764,693	9,395,261
Capital funds					
Endowment funds	18	757,771	949,211	757,771	949,211
Income funds					
Restricted funds	19	1,402,544	1,576,898	1,402,544	1,576,898
Unrestricted funds	20	5,582,022	6,846,795	5,604,378	6,869,152
		7,742,337	9,372,904	7,764,693	9,395,261

The financial statements were approved by the Trustees on 18 November 2009



Martin Jay CBE DL
Chairman of the Council

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

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

1 INCOMING RESOURCES FROM VOLUNTARY INCOME

	2009	2008
	£	£
Donations	519,911	661,499
Legacies	108,210	154,655
Grants	3,350	54,232
Membership	53,000	55,476
	<u>684,471</u>	<u>925,862</u>

2 INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING INCOME

	2009	2008
	£	£
Fundraising Events	<u>43,398</u>	<u>35,147</u>

3 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2009	2008
	£	£
Generated from Ship Operations	1,383,083	1,199,256
Grants	51,344	51,238
	<u>1,434,427</u>	<u>1,250,494</u>

4 GRANTS

Material grants receivable during the year were as follows:

		2009	2008
		£	£
Category	Source		
Youth Work	Department for Children, Schools and Families	3,350	54,232
Youth Work	Association of Sea Training Organisations	51,344	51,238
		<u>51,344</u>	<u>51,238</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

5 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES

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

	2009 £	2008 £
Turnover	1,594,714	1,543,725
Operating costs	(2,129,910)	(2,345,558)
Other income – subvention receipt	531,919	791,015
	<hr/>	<hr/>
Operating loss	(3,277)	(10,818)
Interest receivable	3,277	10,818
	<hr/>	<hr/>
Net profit	-	-

The net assets and liabilities of the active subsidiary are:

	2009 £	2008 £
Fixed and current assets	389,232	514,846
Creditors: amounts falling due within one year	(261,272)	(382,010)
Creditors: amounts falling due after more than one year	(127,960)	(132,836)
	<hr/>	<hr/>
Total net assets/(liabilities)	-	-
Aggregate of share capital and reserves	-	-

6 BRANCHES

The financial results of the branches of Tall Ships Youth Trust are consolidated into these accounts on the basis of returns as of 31 December annually submitted by each branch. Branches raised £69,154 (2008: £89,095) in the year.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

7 ANALYSIS OF RESOURCES EXPENDED

	Direct costs £	Support costs £	Total 2009 £	Total 2008 £
Cost of generating funds				
Costs of generating voluntary income:				
Fundraising costs	223,325	93,995	317,320	305,486
Costs related to Grant received	-	-	-	(11,000)
	<u>223,325</u>	<u>93,995</u>	<u>317,320</u>	<u>294,486</u>
Fundraising trading:				
Events costs	25,311	529	25,840	29,638
Investment management costs:	<u>5,145</u>	<u>-</u>	<u>5,145</u>	<u>10,118</u>
Charitable activities				
Ship related costs	1,722,133		1,722,133	2,017,220
Depreciation	303,176		303,176	286,059
Bursaries and grants paid from restricted funds	552,453		552,453	401,864
Other expenses	330,180	226,900	557,080	581,370
	<u>2,907,942</u>	<u>226,900</u>	<u>3,134,842</u>	<u>3,286,513</u>
Governance costs				
Staff costs	14,240	-	14,240	12,803
Administrative expenses	32,806	4,363	37,169	39,669
	<u>47,046</u>	<u>4,363</u>	<u>51,409</u>	<u>52,472</u>
Other Costs				
Interest payable and other charges	<u>107,917</u>	<u>-</u>	<u>107,917</u>	<u>97,750</u>
Total resources expended include:			2009	2008
			£	£
Auditors remuneration				
Audit services			20,000	21,000
Non-audit services			-	7,800
Expenses			479	539
			<u>20,479</u>	<u>29,339</u>
Depreciation			307,747	293,854
Operating lease rentals			<u>26,539</u>	<u>25,723</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

8 EMPLOYEES

Employee costs during the year were as follows:

	2009	2008
	£	£
Wages and salaries	334,017	365,796
Social security costs	38,959	38,959
Other pension costs	24,058	24,058
	<u>397,034</u>	<u>428,813</u>

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

	2009	2008
Management and administration	<u>12</u>	<u>12</u>

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

9 PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

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

Expense reimbursements for travel and subsistence were paid to two (2008: three) Trustees during the year and in total amounted to £233 (2008: £1,038).

10 DEFICIT OF EXPENDITURE OVER INCOME

A separate statement of financial activities and income and expenditure account are not presented for the charity itself following the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

The deficit of expenditure over income for the year includes £1,630,567 (2008: £1,328,311) that is dealt with in the financial statements of the charity. This is stated after the subvention payment of £531,919 (2008: £791,015) to its subsidiary Tall Ships Limited.

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

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

11 TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust	Brigs £	Challenger Yachts £	Computers , Fixtures and Equipment £	Total £
Cost				
At 1 March 2008	11,083,198	290,000	135,328	11,508,526
Additions	-	28,000	2,000	30,000
At 28 February 2009	<u>11,083,198</u>	<u>318,000</u>	<u>137,328</u>	<u>11,538,526</u>
Depreciation				
At 1 March 2008	2,137,178	3,222	127,239	2,267,639
Provided in the year	282,843	20,333	4,571	307,747
At 28 February 2009	<u>2,420,021</u>	<u>23,555</u>	<u>131,810</u>	<u>2,575,386</u>
Net book amount at 28 February 2009	<u>8,663,177</u>	<u>294,445</u>	<u>5,518</u>	<u>8,963,140</u>
Net book amount at 28 February 2008	<u>8,946,020</u>	<u>286,778</u>	<u>8,089</u>	<u>9,240,887</u>

As explained in the Trustees' Report in 2007, the Trustees decided to sell one of the Brigs as part of a reconfiguration of the fleet. The two Brigs were built in 2000 and 2001 as sister ships, to the Trust's specification and at a cost of £5.5 million each. The Trustees have been advised that the build cost of a similar Brig today would be in the region of £16 million.

As reported last year, when a significant asset is withdrawn from use and offered for sale, the standard accounting treatment is to report its carrying value in the accounts at its net realisable value. However, a sail training Brig is highly specialised asset and the Trustees consider that they are unable to assess accurately whether the net realisable value will be significantly greater or less than the current net book value of £4.33m. As anticipated, there continues to be considerable interest in the Trust's Brig from a broad spectrum of potential buyers.

12 FIXED ASSET INVESTMENTS

	2009 £	2008 £
Investment in Subsidiary undertakings	<u>160,409</u>	<u>160,409</u>

At 28 February 2009 the charity held the whole of the issued share capital of its active subsidiary – Tall Ships Limited engaged on the operation of tall ships. The charity also held the whole of the issued share capital of the following dormant companies – Tall Ships Races Limited, Tall Ships Classics Limited, Tall Ships Events Limited, STA Tall Ships Limited, International STA Limited, Tall Ships Youth Limited, Tall Ships Crew Limited, Tall Ships Adventures Limited and The Sail Training Association. All of the subsidiary undertakings have been consolidated in these financial statements.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

13 DEBTORS

	Consolidated		Tall Ships Youth Trust	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	20,384	45,146	-	45,146
Amounts owed by group undertakings	-	-	1,955	19,586
Unamortised dry docking costs	126,120	206,495	-	-
Other debtors	50,924	31,753	39,138	18,205
Prepayments	26,199	10,235	17,608	10,235
	<u>223,627</u>	<u>293,629</u>	<u>58,701</u>	<u>93,172</u>

14 CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2009	2008	2009	2008
	£	£	£	£
Listed investments (in the UK)	617,698	1,090,329	612,065	1,090,329
Cash held as part of portfolio	40,473	144,850	46,106	144,850
Unlisted investments (in the UK)	2,781	5,142	2,781	5,142
	<u>660,952</u>	<u>1,240,321</u>	<u>660,952</u>	<u>1,240,321</u>

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

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2009	2008	2009	2008
	£	£	£	£
Bank loans and overdraft (unsecured)	1,495,326	612,844	1,485,201	612,844
Loans from Trustees (unsecured)	30,000	30,000	30,000	30,000
Payments received on account	190,092	72,924	-	-
Trade creditors	41,452	107,290	20,397	25,969
Amounts owed to group undertakings	-	-	267,752	416,618
Social Security and other taxes	14,672	-	14,672	-
Other creditors and accruals	145,304	288,588	92,667	60,823
	<u>1,916,846</u>	<u>1,111,646</u>	<u>1,910,689</u>	<u>1,146,254</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2009	2008	2009	2008
	£	£	£	£
Bank and other loans (unsecured)	219,385	266,531	219,385	266,531
Other creditors	127,960	132,836	-	-
	347,345	399,367	219,385	266,531

17 BORROWINGS

Borrowings are repayable as follows:

	Consolidated		Tall Ships Youth Trust	
	2009	2008	2009	2008
	£	£	£	£
Within one year				
Bank and other borrowings	1,525,326	642,844	1,515,201	642,844
After one and within two years				
Bank and other borrowings	73,150	266,531	73,150	266,531
After two and within five years				
Bank and other borrowings	117,704	-	117,704	-
After five years				
Bank and other borrowings	28,531	-	28,531	-
	1,744,711	909,375	1,734,586	909,375

18 ENDOWMENT FUNDS

	Andrew Salvesen	Michael Crocker	Nova Scotia	Lord Burnham	Total
	£	£	£	£	£
At 1 March 2008	912,890	9,401	9,087	17,833	949,211
Incoming resources	33,709	355	353	646	35,063
Resources expended	(4,582)	(23)	(23)	(43)	(4,671)
Transfers to unrestricted funds	(10,125)	-	-	-	(10,125)
Gains/(losses) on investment assets	(208,981)	(714)	(711)	(1,301)	(211,707)
At 28 February 2009	722,911	9,019	8,706	17,135	757,771

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

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

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

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

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

The Charity Commission permitted the Trust to adopt the use of total return investment powers in relation to its permanent endowment investments by an order granted in May 2005. The power permits the trustees to invest the portfolio to maximise total return and to apply an appropriate portion of the unapplied total return to income each year. Until the power is exercised to transfer a portion of unapplied total return to income (as disclosed in the fund transfers, notes 18 and 20), the unapplied total return remains invested as part of the Permanent Endowment.

Unapplied total return at 1 March 2008	20,211
Investment return - dividends and interest	35,063
Investment return - gains and losses	(40,478)
Investment management costs	<u>(4,671)</u>
Unapplied total return before transfer to income	10,125
Unapplied total return applied	<u>(10,125)</u>
Unapplied total return at 28 February 2009	-
Original value of gifts	929,000
Investment return - gains and losses	(171,229)
Permanent endowment including the unapplied total return	<u><u>757,771</u></u>

Since 28 February 2009, the Charity commission has approved in principle an application by the Trust to revert to the traditional approach for managing endowment funds

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

19 RESTRICTED FUNDS

	Specific Funds £	International Fund £	Total £
At 1 March 2008	1,015,898	561,000	1,576,898
Incoming resources	388,596	11,537	400,133
Expenditure	(314,349)	(242,577)	(556,926)
Transfers from unrestricted funds	-	(2,078)	(2,078)
Gains/(losses) on investment assets	-	(15,483)	(15,483)
	<u>1,090,145</u>	<u>312,399</u>	<u>1,402,544</u>

The Specific Funds are donations made to the Trust to be used for specified purposes. At 28 February 2009 there were 87 separate funds (2008: 75).

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 and the young people race scheme.

20 UNRESTRICTED FUNDS

	Consolidated £	Tall Ships Youth Trust £
At 1 March 2008	6,846,795	6,869,152
Incoming resources	1,803,900	362,262
Expenditure	(3,080,876)	(950,968)
Transfers from endowment funds	10,125	10,125
Transfers from restricted funds	2,078	2,078
Transfers to subsidiary undertaking	-	(681,083)
	<u>5,582,022</u>	<u>5,611,566</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

21 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
Consolidated				
Tangible fixed assets	8,963,140	-	-	8,963,140
Current assets	(1,116,927)	1,402,544	757,771	1,043,388
Current liabilities	(1,916,846)	-	-	(1,916,846)
Creditors: due after one year	(347,345)	-	-	(347,345)
	<u>5,582,022</u>	<u>1,402,544</u>	<u>757,771</u>	<u>7,742,377</u>
Tall Ships Youth Trust				
Tangible fixed assets	8,963,140	-	-	8,963,140
Investments	160,409	-	-	160,409
Current assets	(1,389,097)	1,402,544	757,771	771,218
Current liabilities	(1,910,689)	-	-	(1,910,689)
Creditors: due after one year	(219,385)	-	-	(219,385)
	<u>5,604,378</u>	<u>1,402,544</u>	<u>757,771</u>	<u>7,764,693</u>

22 CAPITAL COMMITMENTS

Other than as shown in Note 26 there were no capital commitments at 28 February 2009 or 28 February 2008. No amounts were authorised but not yet contracted for.

23 CONTINGENT LIABILITIES

There were no contingent liabilities at 28 February 2009 or at 28 February 2008.

24 PENSIONS

Defined contribution scheme

The group makes contributions towards individual pension schemes for the benefit of certain employees. The assets of these schemes are administered by Trustees in funds independent from those of the Tall Ships Youth Trust and its subsidiary companies. Contributions made during the year are disclosed in note 8.

Defined benefit scheme

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

The Trustee Board of the scheme has advised that a further deficit of £66,312 has arisen as a result of the March 2006 actuarial valuation. The Trust has requested that this deficit is cleared by a series of annual instalments (including interest) until 2022.

The aggregate liability at 28 February 2009 was £127,690 (2008: £144,081).

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2009

25 LEASING COMMITMENTS

Operating lease payments amounting to £25,459 (2008: £25,459) are due within one year. The leases to which these amounts relate expire as follows:

	2009		2008	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	-	-	-	4,709
Between two and five years	-	4,709	-	-
In more than five years	20,750	-	20,750	-
	<u>20,750</u>	<u>4,709</u>	<u>20,750</u>	<u>4,709</u>

26 RELATED PARTY TRANSACTIONS

The Trust has entered into charter agreements with Mr M P Aiken, Mr G W Pritchard-Gordon and Mr J A F and Mrs I Cowderoy for the use of Challenger 1, 2 and 3 respectively. Under the charter agreements the Trust has a commitment to purchase Challenger 1, 2 and 3 on the later of the sale of the Brig (see Note 11) or 8 August 2012.