



**TALL SHIPS
YOUTH TRUST**

**Financial Statements
Year Ended 28 February 2010**

**Charity Number 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 2010

Highlights of the Year to 28 February 2010

Charitable Mission – Young People

- ◆ Number of young people increased by 7% on previous year, 14% on two years ago
- ◆ Scope and diversity of work with young people expanded eg Special Needs Initiative
- ◆ 58% of berths taken up by disadvantaged and disabled young people, a 15% increase

Fleet Operations

- ◆ Mixed fleet operated 12 months of the year – one 60m square rigged Brig, four 22m ocean going Challenger Yachts and, from Spring 2010, one 19m Catamaran.
- ◆ Tall Ships Academy (training programme for fleet volunteers) developed to include Challengers and advanced training programmes for more experienced volunteers

Volunteers, Supporters

- ◆ 2,500 volunteers and regular supporters supported the Trust's activities

Financial Performance

- ◆ £365K improvement in financial performance of day to day activities including:-
 - £203K reduction in mixed fleet operating costs
 - £135K increase in voluntary income due to generous donation of 19m Catamaran

Significant Event in September 2010 – Sale of a Brig Completed

- ◆ The Trust's balance sheet was significantly strengthened
- ◆ The reconfiguration of the fleet was completed providing
 - greater variety of developmental experiences for young people
 - flexibility to expand and contract supply in line with seasonal demand whilst still allowing expansion
 - greater ability to manage costs down

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TALL SHIPS YOUTH TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2010

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, ADC
Vice-Patrons	Mr M P Aiken (appointed 29 January 2010) Admiral the Lord Boyce GCB OBE DL The Right Honourable Lord Butler of Brockwell KG GCB CVO Mr I A Carruthers Mr D de Laszlo Mr D Darbyshire Mr M Dixon (appointed 16 November 2010) Mr M A C Drummond OBE DL JP Mr M Grade CBE Lord Greenway Vice Admiral M Gretton CB CVO MA (appointed 29 January 2010) Mr J Hardie (appointed 3 March 2009) Mr R Morley Mr G W Pritchard-Gordon (appointed 29 January 2010) Mr A C Salvesen Mr M Slade Mr B A Stewart Mr I Ventham Mr T Vokos (appointed 29 January 2010) Mrs C Williams
Trustees	Mr M P Aiken (stood down 22 December 2009) Mr T P Allen Mr M Broughton Mr P Coleman Mr W D Cormie MA CA Mr M R Dixon (stood down 9 January 2010) Mr R Evans (appointed 5 October 2010) Mr W M Garnett Vice Admiral M Gretton CB CVO MA (stood down 22 Dec 2009) Mr M Jay CBE DL Mr J Lennox (appointed 20 October 2009) Mr M Le May (appointed 25 May 2010) Mr O Michaelson (appointed 27 July 2009) Sir Michael Moore, KBE LVO (appointed 2 March 2010) Mr G W Pritchard-Gordon (stood down 22 December 2009) Mr S J Roberts Mr D Tydeman (appointed 2 March 2010) Surgeon Lt C Wake RN

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Chief Executive	Mrs C A Law
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	Brewin Dolphin Investment Management PO Box No 8 7 Drumsheugh Gardens Edinburgh EH3 7QH
Bankers	Clydesdale Bank plc Lloyds TSB Bank plc

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2010

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 2009/10 with its fleet of one 493 gross ton square-rigged Brig and four 38 gross ton ocean going sail training 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 12 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 is for the Trust "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, for the public benefit:-

- 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

In reviewing the Trust's aims, objectives and planned activities the Trustees have complied with the duty in section 4 of the Charities Act 2006 to have due regard to the public benefit guidance published by the Charity Commission.

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 12 to 25. Formed in 1956, over 90,000 trainees have sailed 1.5M nautical miles on our fleet of vessels – currently one 60m brig Stavros S Niarchos and four 22m ocean going Challenger yachts and, before them, one 60m brig Prince William and two 37m schooners Malcolm Miller and Sir Winston Churchill.

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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).

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 £61K) 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.

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. A development loan of £200K was received from the Charities Aid

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Recent Developments and Financial Position (continued)

Foundation and bridging finance of £2.2M pending the sale of a Brig was secured from Clydesdale Bank plc. Following extended negotiations with the Pakistan Navy, which began in 2009, a sale was completed in September 2010, as a result of which we received sufficient funds to repay these debts and to 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 2012. These show a significant improvement in operating performance on ordinary activities year on year. In summary, the Trust's underlying business model, based on the new mixed fleet, is working.

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 2009/10 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, and building on the work started in 2008/09, we developed more 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. Arrangements ranged from informal partnerships to formal contracts supported by detailed service level agreements.

Secondly, we further developed the Trust's Bursary Scheme which uses generously donated funds 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, helps to assess the level of support each young person needs as they prepare for their voyage.

As a result of these two initiatives, the proportion of young people who were disadvantaged and disabled in 2009/10 increased significantly on the previous year. Now making up 58% of the total (disadvantaged 43%, disabled 15%), this is approximately three times the national average.

There is no question that the Challengers have added a valuable new dimension to our youth work. They are providing us with more opportunities to work with disabled and challenging young people because of their smaller setting and 1:2 staff:child ratio (compared to the Brig's 1:3 ratio). This provides a more focussed, intensive environment for youth work.

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Charitable Mission – Young People (continued)

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 to be dedicated to their group of 10-20 young people. The Brig, with its 48 youth berths, does not allow us to accommodate these requests whereas the Challengers, 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. In addition, for those who prefer small settings and/or are frightened of heights, the Challengers are an ideal developmental environment.

We started work on a new Special Needs Initiative in 2009/10. As with all new initiatives focussed on a particular group of young people, there are a number of development stages. These begin with internal planning on, for example, the length of voyages, activities on board, physical/medication kit, involving buddies and training of crew. From this, draft policy and practise are developed for consultation with representative young people, their parents/carers and third parties. After a pilot voyage policy and practise is further evolved using the feedback of those involved. Only after this stage has been fully completed will we offer the voyages in the programme. As a result, the development process for each new group of young people we want to work with takes 12-18 months from the initial concept to programme launch.

For the Special Needs Initiative, we completed the initial planning, consultation and ran a pilot voyage in 2009/10. Having incorporated the feedback from those involved, in 2010/11 we are planning to offer voyages to young people with a variety of special needs including a degree of learning difficulty, ADHD, fine motor co-ordination problems, mild visual and hearing impairments and social interaction problems.

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

Research from Loughborough University, funded by the HSBC Global Education Trust, was published in 2009/10 and supports the Trust's findings. Evidence was taken over a three year period 192 pupils from 45 schools:-

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

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Charitable Mission – Young People (continued)

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 1,478 young people sailed 10,074 voyage nights with the Trust in 2009/10, an increase of 7% on the previous year. This represents approximately 20% of the UK youth sail training market. In terms of other demographic breakdowns, the male:female split was 61%:39% with 11% being non white and 2% 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 22%. This meant that 23% 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. As Portsmouth City Council, which funded an intergenerational voyage, said “The voyage has achieved its aims and exceeded expectations. People have become much more positive about other generations”

Key objectives for the Trust’s work with young people in 2010/11 include:-

- Increasing the number of young people sailing by 5%
- Offering new voyages dedicated to young people with special needs
- Developing new activities to attract and involve more young people including developing the concept of voyages for 12-13 year olds and voyages focussed on more intensive work with young offenders
- Developing partnerships with third parties working with these groups of young people
- Producing new explanatory and promotional material targeted to support the new voyages dedicated to particular groups of young people

In summary, 2009/10 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 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.

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Tall Ships Academy (continued)

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 2009/10 was to develop a comparable training programme for the Challengers. We developed the existing Training Record Log Book to incorporate the Challengers and drafted an Instruction Manual for the Challengers (similar to that for the Brigs and cross referenced to the amended Training Log Book).

In addition, we developed new advanced training programmes for Challenger Mates progressing to Skippers and Mates progressing to Skippers. As a result, in 2009/10 we increased the number of Volunteer Skippers from 2 to 4 and Volunteer Mates from 8 to 12.

The Academy's objectives for 2010/11 include:-

- Producing a final draft of the combined Brig/Challenger Training Record Book and testing it on board both the Brig and Challenger.
- Producing a final draft of the Challenger Instruction Manual for testing and restructuring/renumbering the Brig Instruction Manual to bring it in line with the combined Training Record Book.

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

Stavros S Niarchos began the 2009/10 year in the Canaries and the Balearic Islands with three months of multi-national youth voyages bringing together a multi-ethnic mix of young people. Stavros returned to the UK during late spring for an intensive programme of youth voyages visiting ports such as Newcastle and Liverpool before taking centre stage at Maritime Festivals in Belfast and Holland. The autumn voyages visited Glasgow, Cardiff and London.

Unfortunately, our voyage programme was severely affected in November/December 2009 by unseasonably extreme weather conditions as gale force winds buffeted the UK coast for several weeks. This resulted in us having to cancel both Brig and Challenger voyages, the first time in over 10 years. Stavros S Niarchos left its berth in London on 21 November for the start of three voyages - London to La Coruna to Cadiz to Tenerife – with a due date in Tenerife of 22 December. However, by 1 December Stavros had only reached the Isle of Wight!

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

The subsequent voyages were all cancelled and replaced with one sailing on 2 December from Southampton direct to Tenerife. Stavros finally enjoyed three months' sailing in the Canaries and Azores and returned to UK waters in April 2010.

Towards the end of 2009/10, Stavros was dry docked for two weeks for its 10 year major survey. The work carried out, which is defined by the maritime authorities, included maintenance/checking of the standard and running rigging, rudder, shafts, propeller, sea valves, engines, generators, electrical systems, davits, painting of hull and topsides, deck and accommodation repairs. The dry docking cost was £230,000.

Meanwhile, two of the Challengers began the 2009/10 year in the Caribbean, sailing to the Azores before returning to the join the rest of the fleet for back to back youth voyages. During June and July, sail training introductory weeks for young voyagers were sponsored by Thames Valley Police and the Foundation for the Sports and the Arts. The Challengers' young crew called into locations such as Brixham, Belfast and Ipswich and hundreds of youngsters gained their RYA Start Yachting and Competent Crew Certificates.

Whilst three Challengers spent winter 2009/10 doing taster weekends and short voyages in the UK, one of them set off on 12 November from Falmouth for the start of three voyages - Falmouth to Lisbon to Madeira to Tenerife. Despite a predicted window of lighter winds, the Challenger had to turn back two days after setting off in the face of severe gale force 9 winds and mountainous seas. The cancelled voyages were replaced with one voyage direct from Falmouth to Tenerife which sailed on 7 December, eventually joining Stavros in Tenerife for a series of youth voyages over Christmas and New Year. The Challenger spent January in the Cape Verde Islands then two months in the Canaries and Azores, returning to the UK in April.

Despite a very difficult trading year, various new sales and marketing initiatives delivered strong bookings for the Brig and Challengers in 2009/10 from both existing and new customers. As a result, and bucking the trend experienced by other sail trainers, the number of individuals sailing with the Trust was up 2% year on year with income from the voyages, excluding bursaries up 3%.

With a view to constantly improving customer care, and building on the Customer Care Charter introduced the previous year, 2009/10 saw a comprehensive of the customer communication cycle. All aspects were considered from the first point of contact to the voyage and post voyage information. The review resulted in new joining instructions together with a new crew handbook and meet/greet routines.

Sales and marketing priorities for 2010/11 include exploring new voyage products and building the market for them, introducing new sales distribution channels and developing special celebratory voyages such as Captain Scott's Centenary Voyage in June and Stavros S Niarchos' 10th Anniversary Voyage in September involving 24 young people from the UK and 24 from Greece and generously supported by the Stavros Niarchos Foundation

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. Experience since then 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.

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

However, with the arrival of the Challenger Fleet, the senior management teams of NMM and Tall Ships Limited (TSL) reviewed the split of respective tasks/responsibilities. They decided that whilst the NMM/TSL partnership remained very valuable and should continue 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:-

- NMM retained responsibility for all operational and technical issues for the Brig, 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 responsibilities although restructuring the staff team meant one new employee had to be recruited. The restructure has worked very well and has been a major contributing factor in driving down operating costs.

Working with NMM and our crews, we also developed and implemented a new crewing structure in 2009/10, in particular separate Brig and Challenger crewing and dual ranks eg Brig Master/Mate. This improved manning flexibility, gave Salaried Crew the opportunity to experience a higher rank, increased Salaried Crew experience and reduced crewing costs.

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

Operating costs for the mixed fleet were £203K lower in 2009/10 than the previous year. Three factors contributed to this. Firstly, we were able to better focus on driving down the cost of repairs and maintenance for the Challengers and crew travel and office costs for the fleet when responsibility for them transferred to Tall Ships Ltd, saving £50K and £44K respectively. Secondly, the crew restructure reduced crewing costs by £53K. Thirdly, the timing of the Challenger fleet annual lifts meant that there were two in 2008/09, one at the beginning, one at the end, but none in 2009/10, producing £34K year on year cost reduction.

Projections for 2010/11 indicate that the operating costs of the Challenger Fleet will be 30% lower than those of the Brig they replaced. This, together with the additional income we expect to generate from developing our markets in 2010/11 and beyond will significantly increase the Trust's overall financial stability.

During 2009/10 we were delighted to hear that a very generous benefactor had decided to donate a 19m catamaran to the Trust. The new vessel will provide an excellent and stable platform for sail training, enabling us to extend our work to new groups of young people currently not catered for by our existing fleet, in particular disabled youngsters including 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 arrived in Portsmouth in October 2009 for an initial assessment of the work needed to bring the vessel up to MCA Cat 2 standard for sail training. In January 2010, the catamaran sailed to Ipswich for fitting out. This work has largely been completed by a team of volunteer carpenters, shipwrights and electricians led by Alan Patrick. We thank everyone who kindly donated their services to this exciting new initiative. The catamaran will come into service in the spring of 2010.

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

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 during the fleet reconfiguration.

The Trustees decided in 2007 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 £5.5M each. Prince William was laid up ready for sale in Portsmouth's Naval Dockyard at the end of 2007/08. As a result of very generous support from VT plc, the Trust's berthing costs were minimal for the remainder of that and the 2008/09 year. 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.

Since deciding to sell one of the Brigs in 2007, over 85 enquiries have been received, including many from private individuals and commercial companies. The Trustees were keen that the Brig should go to an organisation that would use it for training young people and were delighted when, in June 2009, the Pakistan Navy said they were looking for a naval cadet training ship. The subsequent negotiations lasted many months and involved a very rigorous tendering process, during which the Pakistan Navy considered several other ships. The contract was signed in July 2010 and the re-activation of the Prince William, including a full dry-docking, began in Hull. The sale was completed on 20 September 2010, followed three days later by the Pakistan Navy's moving commissioning ceremony, during which they welcomed their new ship, renamed Rah Naward (Swift Mover in English).

Promoting the Trust

During 2009/10, 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.

Website traffic is still very high with 7M hits a year from some 500,000 unique visitors. The full redevelopment of the website, which had been planned for 2009/10, was postponed because of funding constraints but a new home page was launched with video clips and links to YouTube. Use of the on line booking facility continues to grow with over 75% of bookings coming in via this route. The message board, virtual tour of the ships and ships' tracker (accurate to 100 metres) are particularly popular with website visitors.

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 and other marketing material as selling tools.

September 2009 saw the Trust's first Charity Golf Day. It was supported by over 50 golfers, many of them suppliers and their clients, who played the 18 holes. Prizes were awarded for the top three individuals, best team, nearest the pin, longest drive and putting competition. The event raised £2K which will provide bursaries for disadvantaged young people. We plan to run the event in 2010 based on the success of the inaugural event.

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Promoting the Trust (continued)

The Trust's fifth Charity Yacht Regatta took place in November 2009, bringing together Trust supporters and volunteers from around the UK and helping to raise awareness of the Trust in the yachting world. Over 150 people took part in a fiercely contested "round the cans" Solent racing, finishing with a dinner dance. The event raised over £3K for young people's bursaries.

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. Targeting grant making trusts proved successful in 2009/10, generating 75% of the day to day fundraising income, albeit slightly down on the previous year due to the financial environment which reduced the value of and therefore the income from grant making trusts' investments.

At the same time, and despite the credit crunch, income from the Trust's many generous individual supporters was up year on year through donations, cash appeals and membership subscriptions. The Trust has worked hard to keep fundraising costs down. As a result, the net fundraising income from these sources and grant making trusts increased 27% year on year.

Legacies were another very welcome and valuable source of income in 2009/10.

We thank all of those who supported the Trust's day to day fundraising activities over the year.

Trustees' Fundraising Campaign – Young People First

With cash reserves depleted following the implementation of the Challenger initiative, the Trustees launched a new fundraising campaign in 2009 to raise much needed funds to provide bursaries for disadvantaged young people. The target is £5M over the next five years.

The campaign uses a "major gift" technique. 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.

Two Deck Receptions were held in June and November and by the end of 2009/10 the Campaign had raised £513K in donations and pledges. Of this, £282K was in cash and £231K in goods/services in kind including the very generously donated Catamaran, recognised in the accounts as a donation of £150K.

The achievement of £½M in donations and pledges reflects the strength and appeal of our work to potential donors despite the financial downturn.

Having established the Campaign, plans for 2010/11 include various activities to build the high level supporter base including a Deck Reception in July.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2010

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.

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 Chairman of Governance and Finance. 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.

Four long standing Trustees stood down during 2009/10: Mike Aiken, Mike Dixon, Mike Gretton and Giles Pritchard-Gordon. Four new Trustees have been appointed: Jock Lennox and Owen Michaelson (2009/10), Bob Evans, Malcolm Le May, Michael Moore and David Tydeman (2010/11) and we continue to look for others to fill the gaps in our Trustee matrix. Five new Vice Patrons have been appointed: Mike Aiken, Mike Dixon, Mike Gretton, Giles Pritchard-Gordon and Themis Vokos. 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 2010

Financial Results for the Year Ended 28 February 2010

Outgoing resources for the year, net of income, were £1,496K. This was a £134K improvement in overall financial performance on 2008/09.

The deficit for the year of £1,496K included:

- An exceptional item of £710K on account of the sale of the Prince William in September 2010, being £423K for dry-docking and similar costs and £287K for depreciation, including an additional charge to reduce its carrying value to the net proceeds received after deduction of directly related costs,
- Financing and laid-up costs of £321K associated with the pending sale of Prince William (2009: £208K)
- Depreciation charges on the Trust's Brigs and Challenger Yachts, which were in use during the year, of £171K (2009: £303K)
- An outflow of resources from the International Fund of £138K (2009: £233K) which is not directly related to the Trust's day to day operations
- The value of the Trust's investments rose by £138K in the year, compared to a loss of £227K in the previous year, reflecting the upturn in market conditions, particularly those applying to its endowment funds.

After allowing for these items, the results demonstrate that there was a £365K improvement in day to day activities compared to 2008/09, which includes:-

- An improvement in the financial performance of the mixed fleet : -
 - Income from voyages was up by £35K reflecting the 2% increase in the number of individuals sailing with the Trust.
 - The direct costs of the operating fleet were down by £203K due to three factors. Firstly, there was better focus on driving down the cost of repairs and maintenance for the Challengers and crew travel and office costs for the fleet when responsibility for them transferred to Tall Ships Ltd, saving £50K and £44K respectively. Secondly, a crew restructure reduced crewing costs by £53K. Thirdly, the timing of the Challenger fleet annual lifts meant that there were two in 2008/09, one at the beginning, one at the end, but none in 2009/10, producing £34K year on year cost savings.
- Voluntary income increased overall by £135K, largely due to the very generous donation of a 19m Catamaran, taken into the accounts at a value of £150K plus the cost of commissioning work.

The increase in the Trust's net current liabilities of £967K includes an increase of £538K in borrowing, secured over Prince William and Challenger 4. It also includes additional funds lent by Trustees of £79K, secured over the Trust's catamaran, and an unsecured loan of £10K. Following completion of the sale of the Prince William in September 2010, the Trust's borrowings were able to be repaid and the charges on Prince William and Challenger 4 were released.

The Trust ended the year with £4,113K in its unrestricted funds and £2,133K in its restricted and endowment funds, so that total funds were £6,246K. Income generation and cost control remain the financial priorities of the Trust for the foreseeable future.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2010

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 12. 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.

After moving its banking arrangement from Royal Bank of Scotland to Clydesdale Bank plc in 2008/09, the Trust increased its bridging facility, secured against Prince William and Challenger 4, to ensure that it had sufficient cash to enable it to operate its reconfigured fleet until the sale of a Brig was completed. On 20 September 2010, the Trust completed the sale of the Brig Prince William to the Pakistan Navy. Subsequently, the bridging finance and the Trust's other borrowings were substantially repaid and the charges on Prince William and Challenger 4 were released.

Nevertheless, the Trustees recognise that 2010/11 will be another challenging year financially but take comfort from the sale of the Prince William and previous years' achievements in 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 of one or more of the vessels being 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. Brewin Dolphin Ltd was 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 25.5%, which compares against a rise of 32.1% in the portfolio's benchmark index, the WM Charities Universe – Total Charities Index. Over the two years to 28 February 2010, the portfolio is down 0.9% compared to a rise of 1.3% in the benchmark. While asset allocation became bolder over the period, stock selection remained biased towards defensive areas of the market such as oil and gas and pharmaceuticals. The stimulus injected by governments into economies during the year saw investors sell defensive stocks to buy more economically sensitive cyclical companies that

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2010

Investment Powers and Investment Policy (continued)

had suffered in 2008. These stocks were more growth-oriented and led the recovery. The investments generate an estimated gross annual income of £17,312, a gross yield of 3.1%.

Risk Review

The major operational, reputation 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 regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law, the Trustees have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 charitable group for that period.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2010

Statement of Trustees' Responsibilities (continued)

In preparing these financial statements, the Trustees are required to:-

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements 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 and the group will continue in business.

The Trustees are responsible for keeping adequate 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 2006. 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 each of the Trustees is 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



Jock Lennox
Chairman of the Council
16 November 2010

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 2010 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 the related notes. 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 Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 Trustees' (who are also the directors of Tall Ships Limited for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view 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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether the information given in the Trustees' Annual Report is consistent with those financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Trustees' remuneration specified by law are not made.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgements 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 of the state of the group's and the parent charitable company's affairs as at 28 February 2010 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 United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements for the year ended 28 February 2010.



Stephen Mills
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
18 November 2010

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Companies Act 2006 and with applicable United Kingdom accounting standards and the Statement of Recommended Practice: Accounting and Reporting by Charities (the SORP) issued in March 2005. 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 were arranged to ensure the stability of the Trust's operations, until the sale was completed. As explained in Note 29, Post Balance Sheet Event, the sale was completed on 20 September 2010. Subsequently, the bridging finance and the Trust's other borrowings were substantially repaid. The proceeds of the sale and projections of future cash flow show that the Trust remains in a position to deliver its revised business plan and consequently 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 13) drawn up to 28 February 2010. 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

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.

Investment income

Investment income is recognised when receivable.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

INCOMING RESOURCES (CONTINUED)

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
Yachts	4-15 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 2010

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2010 £	Total 2009 £
Incoming resources						
Incoming resources from generated funds						
Voluntary income	1	461,789	357,852	-	819,641	684,471
Activities for generating funds	2	32,918	-	-	32,918	43,398
Investment income		1,217	2,353	24,177	27,747	76,800
Incoming resources from charitable activities	3	<u>1,469,001</u>	<u>-</u>	<u>-</u>	<u>1,469,001</u>	<u>1,434,427</u>
Total incoming resources		<u>1,964,925</u>	<u>360,205</u>	<u>24,177</u>	<u>2,349,307</u>	<u>2,239,096</u>
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		261,157	-	-	261,157	291,631
Fundraising trading: costs of goods sold and other costs		18,687	-	-	18,687	25,695
Investment management costs		-	-	3,900	3,900	5,145
Charitable activities		2,288,898	544,464	-	2,833,362	3,125,737
Governance costs		39,582	-	-	39,582	50,216
Other costs		115,772	1,490	-	117,262	144,049
Total resources expended		<u>2,724,096</u>	<u>545,954</u>	<u>3,900</u>	<u>3,273,950</u>	<u>3,642,473</u>
Net (outgoing)/incoming resources before other recognised gains and losses		(759,171)	(185,749)	20,777	(924,643)	(1,403,377)
Other recognised gains and losses						
Exceptional item	8, 29	(709,656)	-	-	(709,656)	-
Gains/(losses) on investment assets		<u>-</u>	<u>-</u>	<u>138,145</u>	<u>138,145</u>	<u>(227,190)</u>
Net (outgoing)/incoming resources for the year		(1,468,827)	(185,749)	158,422	(1,496,154)	(1,630,567)
Fund balances brought forward at 1 March 2009		<u>5,582,022</u>	<u>1,402,544</u>	<u>757,771</u>	<u>7,742,337</u>	<u>9,372,904</u>
Fund balances carried forward at 28 February 2010		<u>4,113,195</u>	<u>1,216,795</u>	<u>916,193</u>	<u>6,246,183</u>	<u>7,742,337</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 2010

	2010 £	2009 £
Total income	2,325,130	2,204,033
Total expenditure	<u>3,979,706</u>	<u>3,637,802</u>
Net outgoings for the year before transfers	<u>(1,654,576)</u>	<u>(1,433,769)</u>

Total income comprises £1,964,925 (2009: £1,803,900) for unrestricted funds and £360,205 (2009: £400,133) 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 but includes an exceptional item as explained in Note 8. 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 2010

	Note	Consolidated 2010 £	2009 £	Tall Ships Youth Trust 2010 £	2009 £
Fixed assets					
Tangible assets	12	8,708,985	8,963,140	8,708,985	8,963,140
Investments	13	-	-	160,409	160,409
		8,708,985	8,963,140	8,869,394	9,123,549
Current assets					
Stocks		6,250	8,735	250	250
Debtors	14	153,577	223,627	58,897	58,701
Investments	15	567,677	660,952	567,677	660,952
Cash at bank and in hand		88,154	150,074	47,118	51,315
		815,658	1,043,388	673,942	771,218
Creditors: amounts falling due within one year	16	(2,656,146)	(1,916,846)	(2,764,944)	(1,910,689)
Net current (liabilities) / assets		(1,840,488)	(873,458)	(2,091,002)	(1,139,471)
Total assets less current liabilities		6,868,497	8,089,682	6,778,392	7,984,078
Creditors: amounts falling due after more than one year	17	(199,314)	(347,345)	(86,853)	(219,385)
Provisions for liabilities	19	(423,000)	-	(423,000)	-
		6,246,183	7,742,337	6,268,539	7,764,693
Capital funds					
Endowment funds	20	916,193	757,771	916,193	757,771
Income funds					
Restricted funds	21	1,216,795	1,402,544	1,216,795	1,402,544
Unrestricted funds	22	4,113,195	5,582,022	4,135,551	5,604,378
		6,246,183	7,742,337	6,268,539	7,764,693

The financial statements were approved by the Trustees on 16 November 2010

Jock Lennox

Jock Lennox
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 2010

1 INCOMING RESOURCES FROM VOLUNTARY INCOME

	2010 £	2009 £
Donations	679,675	519,911
Legacies	85,103	108,210
Grants	-	3,350
Membership	54,863	53,000
	<u>819,641</u>	<u>684,471</u>

Donations include a gift in kind of a catamaran whose market value at the date of gift has been estimated by the Trustees at £150,000. Costs of £36,152 have been incurred in the year in converting the catamaran for use by the Trust. Further details are included in the Report of the Trustees.

2 INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING INCOME

	2010 £	2009 £
Fundraising Events	<u>32,918</u>	<u>43,398</u>

3 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2010 £	2009 £
Generated from Ship Operations	1,416,252	1,383,083
Grants	52,749	51,344
	<u>1,469,001</u>	<u>1,434,427</u>

4 GRANTS

Material grants receivable during the year were as follows:-

	2010 £	2009 £
Category		
Source		
Youth Work	-	3,350
Youth Work	52,749	51,344
	<u>52,749</u>	<u>51,344</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

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:-

	2010 £	2009 £
Turnover	1,602,114	1,594,714
Operating costs	(1,994,021)	(2,129,910)
Other income – subvention receipt	407,203	531,919
Operating profit/(loss)	15,296	(3,277)
Interest receivable	346	3,277
Interest payable and other charges	(15,642)	-
Net profit	-	-

The net assets and liabilities of the active subsidiary are:-

	2010 £	2009 £
Fixed and current assets	398,053	389,232
Creditors: amounts falling due within one year	(285,592)	(261,272)
Creditors: amounts falling due after more than one year	(112,461)	(127,960)
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 £56,741 (2009: £69,154) in the year.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

7 ANALYSIS OF RESOURCES EXPENDED

	Direct costs £	Support costs £	Total 2010 £	Total 2009 £
Cost of generating funds				
Costs of generating voluntary income:				
Fundraising costs	214,450	46,707	261,157	291,631
Fundraising trading:				
Events costs	18,424	263	18,687	25,695
Investment management costs:	3,900	-	3,900	5,145
Charitable activities				
Ship related costs	1,628,339	-	1,628,339	1,722,133
Depreciation	171,254	-	171,254	303,176
Bursaries and grants paid from restricted funds	544,464	-	544,464	552,453
Other expenses	294,652	194,653	489,305	547,975
	<u>2,638,709</u>	<u>194,653</u>	<u>2,833,362</u>	<u>3,125,737</u>
Governance costs				
Staff costs	13,360	-	13,360	14,240
Administrative expenses	24,054	2,168	26,222	35,976
	<u>37,414</u>	<u>2,168</u>	<u>39,582</u>	<u>50,216</u>
Other Costs				
Interest payable and other charges	117,262	-	117,262	144,049
Total resources expended include:				
			2010	2009
			£	£
Auditors remuneration				
Audit services			17,500	20,000
Non-audit services			1,500	1,500
Expenses			500	479
			<u>19,500</u>	<u>21,979</u>
Depreciation and provision for impairment			460,790	307,747
Operating lease rentals			<u>26,791</u>	<u>26,539</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

8 EXCEPTIONAL ITEM

As explained in Note 29, the Trust completed the sale of the Brig Prince William on 20 September 2010. The asset was not in use by the Trust for its charitable purposes during the year, and the Trustees therefore consider that the following exceptional costs relating to its subsequent sale should be classified in the Statement of Financial Activities under the heading Other Recognised Gains and Losses rather than as Resources Expended for the year. Resources Expended include £321K of financing and laid up costs associated with the Brig prior to sale which is additional to these exceptional costs.

	2010	2009
	£	£
Dry docking costs	380,000	-
Depreciation and provision for impairment	286,656	-
Other costs	43,000	-
	<u>709,656</u>	<u>-</u>

9 EMPLOYEES

Employee costs during the year were as follows:-

	2010	2009
	£	£
Wages and salaries	426,733	376,559
Social security costs	44,594	39,865
Other pension costs	22,661	22,168
	<u>493,988</u>	<u>438,592</u>

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

	2010	2009
Management and administration	<u>13</u>	<u>12</u>

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

10 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 (2009: two) Trustees during the year and in total amounted to £767 (2009: £233).

11 DEFICIT OF EXPENDITURE OVER INCOME

A separate statement of financial activities and income and expenditure account are not presented for the parent charity as permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

11 DEFICIT OF EXPENDITURE OVER INCOME (CONTINUED)

The deficit of expenditure over income for the year includes £1,496,154 (2009: £1,630,567) that is dealt with in the financial statements of the charity. This is stated after the subvention payment of £407,203 (2009: £531,919) to its subsidiary Tall Ships Limited and exceptional expenditure of £709,656 (2009: £nil) as shown in note 8.

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

12 TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust	Computers, Fixtures and Equipment			Total £
	Brigs £	Yachts £	£	
Cost				
At 1 March 2009	11,083,198	318,000	137,328	11,538,526
Additions	-	204,659	1,976	206,635
At 28 February 2010	<u>11,083,198</u>	<u>522,659</u>	<u>139,304</u>	<u>11,745,161</u>
Depreciation				
At 1 March 2009	2,420,021	23,555	131,810	2,575,386
Provided in the year	433,331	24,578	2,881	460,790
At 28 February 2010	<u>2,853,352</u>	<u>48,133</u>	<u>134,691</u>	<u>3,036,176</u>
Net book amount at 28 February 2010	<u>8,229,846</u>	<u>474,526</u>	<u>4,613</u>	<u>8,708,985</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>

As explained in Note 29, the Trust completed the sale of the Brig Prince William on 20 September 2010. Although no adjustment is required to the written down value of the Brig as at 28 February 2010 based on normal depreciation for the year, the SORP requires an additional depreciation charge to be made to reduce the carrying value to the net proceeds received after deduction of directly related costs.

13 FIXED ASSET INVESTMENTS

	2010 £	2009 £
Investment in Subsidiary undertakings	<u>160,409</u>	<u>160,409</u>

At 28 February 2010 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 2010

14 DEBTORS

	Consolidated		Tall Ships Youth Trust	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	2,179	20,384	-	-
Amounts owed by group undertakings	-	-	1,955	1,955
VAT	12,480	-	12,480	-
Unamortised dry docking costs	83,896	126,120	-	-
Other debtors	26,300	50,924	21,302	39,138
Prepayments	28,722	26,199	23,160	17,608
	153,577	223,627	58,897	58,701

15 CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2010	2009	2010	2009
	£	£	£	£
Listed investments (in the UK)	553,233	617,698	553,233	612,065
Cash held as part of portfolio	11,441	40,473	11,441	46,106
Unlisted investments (in the UK)	3,003	2,781	3,003	2,781
	567,677	660,952	567,677	660,952

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.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdraft	1,961,330	1,446,180	1,961,330	1,436,055
Other loans	72,000	49,146	72,000	49,146
Loans from Trustees and funders	119,000	30,000	119,000	30,000
Payments received on account	152,077	190,092	-	-
Trade creditors	90,206	41,452	43,324	20,397
Amounts owed to group undertakings	-	-	394,390	267,752
Social Security and other taxes	38,740	14,672	38,740	14,672
Other creditors and accruals	222,793	145,304	136,160	92,667
	2,656,146	1,916,846	2,764,944	1,910,689

The bank loans and overdrafts are secured by fixed and floating charges over the Trust's ships, yachts and other assets.

Included in other loans and loans from Trustees and funders is £151,000 (2009: £nil) which is secured by fixed charges over the Trust's ships, yachts and other assets.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2010	2009	2010	2009
	£	£	£	£
Bank loans	-	68,531	-	68,531
Other loans	86,853	150,854	86,853	150,854
Other creditors	112,461	127,960	-	-
	199,314	347,345	86,853	219,385

The bank and other loans are secured by fixed and floating charges over the Trust's ships, yachts and other assets.

18 BORROWINGS

Borrowings are repayable as follows:-

	Consolidated		Tall Ships Youth Trust	
	2010	2009	2010	2009
	£	£	£	£
Within one year				
Bank and other borrowings	2,152,330	1,525,326	2,152,330	1,515,201
After one and within two years				
Bank and other borrowings	72,000	73,150	72,000	73,150
After two and within five years				
Bank and other borrowings	14,853	117,704	14,853	117,704
After five years				
Bank and other borrowings	-	28,531	-	28,531
	2,239,183	1,744,711	2,239,183	1,734,586

As explained in Note 29, Post Balance Sheet Event, the Trust completed the sale of the Brig Prince William on 20 September 2010. Subsequently all secured borrowings were able to be repaid and the fixed charges over the Trust's vessels and other assets (Notes 16 and 17) were released. In addition, at 28 February 2010, there was a charge over one of the brigs in favour of an endowment fund for amounts loaned to the Trust. Following the sale of the Prince William, this loan was repaid and the charge was released.

19 PROVISIONS FOR LIABILITIES

	Consolidated	Tall Ships Youth Trust
	£	£
At 1 March 2009		
Provided in the year	423,000	423,000
At 28 February 2010	423,000	423,000

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

20 ENDOWMENT FUNDS

	Andrew Salvesen	Michael Crocker	Nova Scotia	Lord Burnham	Total
	£	£	£	£	£
At 1 March 2009	722,911	9,019	8,706	17,135	757,771
Incoming resources	23,959	57	57	104	24,177
Resources expended	(3,857)	(11)	(11)	(21)	(3,900)
Gains/(losses) on investment assets	137,204	246	246	449	138,145
At 28 February 2010	<u>880,217</u>	<u>9,311</u>	<u>8,998</u>	<u>17,667</u>	<u>916,193</u>

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 19 and 21), the unapplied total return remains invested as part of the Permanent Endowment.

Unapplied total return at 1 March 2009	-
Unapplied total return before transfer to income	-
Unapplied total return applied	-
Unapplied total return at 28 February 2010	<u>-</u>
Original value of gifts	929,000
Investment return - gains and losses at 1 March 2009	(171,229)
Investment return - year to 28 February 2010	
Dividends and interest	24,177
Gains and losses	138,146
Investment management costs	(3,900)
Permanent endowment including the unapplied total return	<u>916,194</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

21 RESTRICTED FUNDS

	Specific Funds £	International Fund £	Total £
At 1 March 2009	1,090,145	312,399	1,402,544
Incoming resources	357,852	2,353	360,205
Expenditure	(406,110)	(139,844)	(545,954)
At 28 February 2010	<u>1,041,887</u>	<u>174,908</u>	<u>1,216,795</u>

The Specific Funds are donations made to the Trust to be used for specified purposes. At 28 February 2010 there were 98 separate funds (2009: 87).

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.

22 UNRESTRICTED FUNDS

	Consolidated £	Tall Ships Youth Trust £
At 1 March 2009	5,582,022	5,604,378
Incoming resources	1,964,925	502,505
Expenditure	(3,433,752)	(1,507,567)
Transfers to subsidiary undertaking	-	(463,765)
At 28 February 2010	<u>4,113,195</u>	<u>4,135,551</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

23 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
Consolidated				
Tangible fixed assets	8,708,985	-	-	8,708,985
Current assets	(1,317,330)	1,216,795	916,193	815,658
Current liabilities	(2,656,146)	-	-	(2,656,146)
Creditors: due after one year	(199,314)	-	-	(199,314)
Provisions for liabilities	(423,000)	-	-	(423,000)
	<u>4,113,195</u>	<u>1,216,795</u>	<u>916,193</u>	<u>6,246,183</u>
Tall Ships Youth Trust				
Tangible fixed assets	8,708,985	-	-	8,708,985
Investments	160,409	-	-	160,409
Current assets	(1,459,046)	1,216,795	916,193	673,942
Current liabilities	(2,764,944)	-	-	(2,764,944)
Creditors: due after one year	(86,853)	-	-	(86,853)
Provisions for liabilities	(423,000)	-	-	(423,000)
	<u>4,135,551</u>	<u>1,216,795</u>	<u>916,193</u>	<u>6,628,539</u>

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 7.

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 ('MNOFP'). 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. It has been agreed that the Trust's share of this deficit can be settled in instalments of £4,500 payable annually in September until 2014, thereafter increasing to a higher amount which has yet to be agreed.

The aggregate liability at 28 February 2010 was £130,926 (2009: £127,690).

25 CAPITAL COMMITMENTS

Other than as shown in Note 28 there were no capital commitments at 28 February 2010 or 28 February 2009. No amounts were authorised but not yet contracted for.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

26 CONTINGENT LIABILITIES

There were no contingent liabilities at 28 February 2010 or at 28 February 2009.

27 LEASING COMMITMENTS

Operating lease payments amounting to £20,750 (2009: £25,459) are due within one year. The leases to which these amounts relate expire as follows:-

	2010		2009	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	-	-	-	-
Between two and five years	-	4,668	-	4,709
In more than five years	20,750	-	20,750	-
	<u>20,750</u>	<u>4,668</u>	<u>20,750</u>	<u>4,709</u>

28 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 29) or 8 August 2012.

29 POST BALANCE SHEET EVENT

On 20 September 2010, the Trust completed the sale of the Brig Prince William to the Pakistan Navy. At their request, the price received for the Brig has to remain confidential. Subsequent to the sale, the Trustees considered the price received and have concluded that no adjustment requires to be made to the written down value of the Brig in the Trust's accounts at 28 February 2010.

Exceptional one-time costs have been included in the Statement of Financial Activities including the re-activation and dry-docking of the Brig prior to sale, as it had been laid up since November 2007. These costs were £709,656 and are detailed in Note 8.

After meeting these costs, the Trust's secured borrowings, as reported in Note 18, were repaid and the fixed charges over the Trust's vessels (Notes 16 and 17) were released.