



**TALL SHIPS
YOUTH TRUST**

**Financial Statements
Year Ended 29 February 2012**

**Charity Number 314229
A Company Limited by Guarantee
Registered in England No 567460**

Highlights of the Year to 29 February 2012

Charitable Mission – Young People

- ◆ Young people numbers increased by 1% (26% in four years since Challengers introduced)
- ◆ Scope and diversity of work with young people expanded eg Family Support Voyages
- ◆ Proportion of disadvantaged/disabled young people now 76% (was 43% four years ago)
- ◆ Trust chosen for pilot of government's new training and development initiative to give all 16 year olds a sense of purpose optimism and belonging - National Citizen Service

The Fleet

- ◆ Mixed fleet of six vessels– one 60m square rigged Brig, four 22m ocean going Challenger Yachts, one 19m Catamaran - operated 12 months of the year
- ◆ Mixed fleet offers:-
 - maximum variety of developmental experiences for young people
 - flexibility to expand and contract supply in line with seasonal demand
 - ability to expand scale and scope of work with young people
 - greater scope for managing costs down (annual operating costs of four Challengers 35% less than the one Brig)

Volunteers, Supporters, Communications

- ◆ 2,500 volunteers and regular supporters supported the Trust's activities
- ◆ New website launched – easier to navigate, real time berth reservations, online donations, Volunteer Crew section (bidding process now electronic). New fortnightly Enews (produced in-house). Facebook site developed.

Financial Performance

- ◆ Surplus of £403K for 2011/12, an improvement of £1,481K on the previous year, mainly
 - £149K fleet performance (voyage income up 6%, fleet costs down 4%)
 - £274K fundraising income from grant making trusts and individuals
 - £300K legacy income
 - £202K two exceptional donations from Vice Patrons
 - £175K revaluation donations on three Challengers bought in 2011/12
 - £119K revaluation of Challenger owned since 2007/08
 - £177K MNOPF provision required in 2010/11 only
 - £155K reduction in alongside and financing costs (Brig sold in 2010/11)
- ◆ Trust only had to spend £328K to buy three Challengers with a £1.1M market value from Trustees/Vice Patrons due to £542K donations (included above)
- ◆ Balance sheet strong - fleet of £5.5M book value and limited borrowings

TALL SHIPS YOUTH TRUST

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

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TALL SHIPS YOUTH TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 29 FEBRUARY 2012

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	Mr M P Aiken Admiral the Lord Boyce KG 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 Mr M A C Drummond OBE DL JP Lord Grade CBE Lord Greenway Vice Admiral M Gretton CB CVO MA Mr J Hardie Mr M Jay CBE DL Mr R Morley Mr G W Pritchard-Gordon (passed away 15 October 2011) Mr A C Salvesen Mr M Slade Mr B A Stewart Mr I Ventham Mr T Vokos Mrs C Williams
Trustees	Mr T P Allen Mr M Broughton Mr P Coleman Mr W D Cormie MA CA Mr R Evans Mr W M Garnett Surg. Lt. C Griffiths RN Mr M Le May Mr J Lennox Mr O Michaelson Sir Michael Moore KBE LVO Mr S J Roberts Mr D Tydeman

TALL SHIPS YOUTH TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 29 FEBRUARY 2012

Chief Executive Mrs C Law

Company Secretary Mr P Taylor

Auditors Grant Thornton UK LLP
No 1 Dorset Street
Southampton
SO15 2DP

Solicitors Blake Laphorn
Harbour Court
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EH3 7QH

Bankers Clydesdale Bank plc
Lloyds TSB Bank plc

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

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 2011/12 with its fleet of one 60m square-rigged Brig, four 22m ocean going sail training yachts and one 19m catamaran 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 ocean going vessels" delivering 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 95,000 trainees have sailed 1.8 million nautical miles on our fleet of vessels – currently a 60m Brig Stavros S Niarchos, four 22m ocean going Challenger yachts, one 19m Catamaran and, before them, a 60m brig Prince William and two 37m schooners Malcolm Miller and Sir Winston Churchill.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Recent Developments, Major Achievements

The Trust has a reputation for delivering outstanding work with young people. We take 60% more individuals to sea a year than the next largest UK sail training charity, several times more than the others, and our utilisation is the highest in the fleet.

Despite the recession, the number of young people benefitting from our work has grown by an impressive 26% in the last four years since introducing the Challengers. Due to our growing group business, we have also expanded the scope and diversity of our work with the proportion of disadvantaged/disabled young people increasing from 43% four years ago to 76% in 2011/12 and the proportion of non-white young people increasing from 4% to 17%. We have achieved this growth whilst at the same time increasing voyage income and the return per night.

These are real successes – significant achievements in today's difficult economic climate.

The Trust's primary responsibility is to ensure this work continues. To do this, the Trust must be financially sustainable. So we have and continue to work hard to achieve this by implementing new fundraising initiatives and cost cutting measures including staff redundancies and exploring other options such as merger.

In a major business restructuring to diversify opportunities for young people and improve financial stability, we decided in 2007/08 to replace one of our two 60m square rigged Brigs with four 22m ocean going Challenger Yachts. We bought one directly with Vice Patrons/Trustees buying the other three. Following an enquiry in 2009 and then a rigorous tendering process, in September 2010 we sold a Brig, renamed Rah Naward (Swift Mover), to the Pakistan Navy for naval cadet training. The sale proceeds enabled us to significantly strengthen our balance sheet and provide more bursaries to young people

Together, the four Challengers provide the same number of berths and therefore income earning potential as one Brig but are significantly cheaper to run. In addition, the number of Challengers operating can be flexed as demand varies from season to season, reducing costs further. As a result the Challenger Fleet operating costs are 35% less than the one Brig they replaced. We are also able to split the Challenger Fleet to chase several different markets and income streams at the same time. In addition, the 12 berth Challengers and the 8 berth Catamaran (19m vessel donated in 2009/10) have enabled us to develop more dedicated voyages with our partner organisations, most of which cannot fill the 48 berths on a Brig.

During 2011/12, we secured £202K from two exceptional donations and a legacy of £340K given specifically to buy the three remaining Challengers from the Vice Patrons/Trustees so had only to spend £328K to buy the vessels which have a joint market value of £1.1M.

We now have a strong balance sheet including a fleet of £5.5M book value and limited borrowings. The mixed fleet model – a Tall Ship and Ocean Going Yachts – is a good one for the Trust, one we want to retain, offering as it does the most diverse development opportunities for young people. We also see the group bookings market growing and we want to pursue and maximise the opportunities of this trend, which leans us towards smaller vessels. We also want to improve financial stability and we recognise that we are more likely to achieve this going forward by reducing operating costs than by increasing fundraising income in this tough economic climate.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Recent Developments, Major Achievements (continued)

For all of these reasons, we have adopted a new three year Business Plan that proposes replacing our 60m Brig with a smaller Tall Ship to support our expanding group business and further reduce costs. The successful execution of the Business Plan will see the proceeds from the sale of the Brig being utilised to repay borrowing arranged to finance the Business Plan and provide the core funding for the replacement smaller Tall Ship. This new fleet will fit better with our current and proposed business model whilst allowing us to continue developing our work with young people.

Charitable Mission – Young People

The development of young people is central to everything we do and we are proud of the Trust's excellent reputation for providing good quality services. Whilst the Brig, Challengers and Catamaran are very different settings for youth development, we operate all to the same high standards. The same policies and practices apply to all eg the same Safeguarding Policy, Code of Conduct, the same rigorous recruitment and screening of prospective volunteers.

We expanded the scope and diversity of our work with young people in a number of ways during 2011/12. We developed more partnerships with other youth organisations across the UK, particularly those working with disadvantaged and disabled young people. These included special needs groups, schools, youth offending teams, youth organisations representing young people not in employment, education or training (NEET) and those from black, asian and minority ethnic (BAME) backgrounds. Arrangements ranged from informal partnerships to formal contracts supported by detailed service level agreements.

Through our partnerships we were able to reach out to more young people with a variety of special needs such as learning difficulties, ADHD, motor co-ordination problems, visual and hearing impairments and social interaction problems. The stable platform provided by the Catamaran was particularly helpful with this work:-

Parent of John (disabled, aged 16): "The Trust has been excellent for my son. Every time John talks about his voyage I feel like crying. So many times he's been excluded from outdoor activities but on the voyage not only was he included but he clearly felt like a valuable part of the crew."

We were able to pilot several new initiatives in 2011/12 as a result of partnerships developed during the year. These included a Tower Hamlets Project, working with five schools to address "territorial" hostility and "no go areas" and Family Support Voyages for foster families with parent/child communication problems and sibling support for recently bereaved families.

Karen, Youth Offending Team: "After spending time in foster care, Jamie (16) was bullied at school and then got beaten up on his way home. He dealt with this by dropping out of school, never leaving his house and blocking everything out with cannabis. It's hard to put into words just how much Jamie changed during the 5 day voyage. The person I met afterwards was a confident, enthusiastic and chatty young man! These changes are still evident 6 months later. Jamie's starting to take responsibility for himself and his own life. He's back at school, has applied for college and is going back as a Volunteer. Amazing! Thank you Tall Ships Youth Trust. You take young people into a unique setting, then encourage and support them to develop to their maximum potential."

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Charitable Mission – Young People (continued)

The Trust was particularly pleased to be the only UK sail trainer chosen in 2011/12 to be involved in the National Citizen Service, the government's new training and development programme. Aimed at giving all 16 year olds a sense of purpose, optimism and belonging, the programme uses a three week schedule of activities and tasks, including a week away from home at a residential outdoor adventure centre, followed by 30 hours of part-time activities in their local communities.

Summer 2011 saw several thousand young people taking part in one of 12 pilots around the UK, including a consortium in the north east using the Trust's vessels for the residential experience. Feedback from the consortium was very positive:-

Litza, Senior Youth Worker "Tall Ships voyages are a unique setting for developing life and social skills from communication, team building and problem solving to preparing/eating a meal together and compassion for others. It was very different to anything any of the young people had experienced before and took them completely out of their comfort zone. The whole set-up was extremely professional and the staff brilliant. When the young people returned to school, their teacher couldn't believe the change in them. Their difficult and challenging behaviour had transformed into a positive approach and commitment to work. I'd definitely recommend this experience to others."

Further pilots are planned for 2012 and the scheme will gradually be rolled out across the UK from 2013.

As a result of these various new initiatives and despite the recession, the number of young people we supported increased by 1% on 2010/11. A total of 1,627 young people sailed 9,428 voyage nights with the Trust in 2011/12. This means that the number of young people benefitting from our work has grown by an impressive 26% in the last four years since introducing the Challengers.

In terms of other demographics, the male:female split was 62:38 in 2011/12 (62:38 in 2010/11) with 17% of young people non white (14% in 2010/11).

The proportion of young people who were disadvantaged/disabled increased from 73% in 2010/11 to 76% in 2011/12, a significant increase on 43% four years ago.

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 24%. This meant that 22% of the berths on 18+ voyages were filled with young people. Their feedback indicates that the inter-generational dimension of these voyages is popular with the more diverse range of life experiences on board giving young people added benefit.

As Portsmouth City Council said after one of the many intergenerational voyages they have recently funded "The voyage has achieved its aims and exceeded expectations. People have become much more positive about other generations"

We thank our Head Office staff for developing the new initiatives and our Salaried and Volunteer Crews for delivering them.

TALL SHIPS YOUTH TRUST

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Charitable Mission – Young People (continued)

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 volunteering and citizenship skills

Externally validated, statistical evaluations of outcomes provide empirical evidence of improvements in life skills:-

- Over 95% enjoyed the voyage and had fun
- Over 95% experienced increased confidence and self-esteem
- Over 90% were better team players
- Over 85% gained life experience
- Over 80% were better communicators
- Over 75% developed greater self-reliance
- Over 70% improved their problem solving skills

These impacts are well recognised and valued by education and youth work professionals. As Loughborough University concluded at the end of their three year long research project: "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."

Key objectives for the Trust's work with young people in 2012/13 include:-

- Consolidating and building on partnerships with other youth organisations to maintain the number of young people sailing as in 2011/12.
- Reviewing and consolidating the various new initiatives developed over the last two years which have been aimed at diversifying TSYT's work
- Delivering the residential experience for the 2012 National Citizen Service

In summary, 2011/12 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, 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.

TALL SHIPS YOUTH TRUST

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FOR THE YEAR ENDED 29 FEBRUARY 2012

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 Brig. We have adapted the Training Record Log Book to incorporate the Challengers and drafted a new Instruction Manual for the Challengers. We will be completing the implementation of the Academy training programme on the Challengers in 2012/13. We are also launching a new series of Royal Yachting Association shore based theory courses in 2012/13 including VHF and First Aid to encourage and support the further development of our Volunteer Crew.

Stavros S Niarchos, Challengers, Cat

Stavros S Niarchos began 2011/12 in the Canaries and Azores before returning to the UK in early April for an intensive programme of youth voyages and high profile port events. Highlights for the year included voyages funded by Emmanuel Schools and HSBC Education Trust, Project Rough Seas (a three month training programme for young people including a voyage, in partnership with Catch 22 and the British Schools Exploring Society) and a Lloyds TSB sponsored project with five schools in Tower Hamlets to address local hostility issues. In July, Stavros took part once again in the European Tall Ship Races visiting Stavanger and Halmstad. At the end of November, Stavros sailed south to spend three months in the Canaries and Azores over the winter months.

Whilst three Challengers were completing their winter voyage schedule in the UK, another began 2011/12 in the Caribbean, sailing to the Azores before returning to the UK to join the rest of the fleet at the end of March. By Easter, all four Challengers were fully deployed on youth voyages. Highlights included introductory sail training weeks for young people sponsored by the Thames Valley Police and Foundation for the Sports and the Arts, the National Citizen Scheme pilot voyages, the Fastnet Race and a Rank Foundation voyage for their young leaders.

The Catamaran, generously donated by a Trust supporter in 2009/10, was based in and around the Solent. Highlights included introduction to sailing voyages for 12-13 year olds, voyages for young people with special needs, young carers and family support voyages.

TALL SHIPS YOUTH TRUST

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FOR THE YEAR ENDED 29 FEBRUARY 2012

Stavros S Niarchos, Challengers, Cat (continued)

Despite the world-wide recession and difficult trading conditions, various new sales and marketing initiatives delivered strong bookings for the Brig, the Challengers and the Cat in 2011/12 from both existing and new customers.

As a result, and despite the recession, the number of individuals sailing with the Trust in 2011/12 was up 3% on the previous year and voyage income up 6%.

Sales and marketing priorities for 2012/13 include developing new sales distribution channels including through social media and maximizing the sales opportunities of high profile events such as the Queen's Diamond Jubilee and Olympics.

The Trust outsources ship management of the Brig to Northern Marine Management Ltd (NMM) because it is the most cost effective way of providing 24/7 operational and safety management of the ship. The partnership with NMM works well with Trust and NMM staff focussed on their respective areas of expertise. We thank the dedicated team of people at NMM who continue to provide our vessels and crews with such a high standard of support.

The current split of tasks/responsibilities between NMM and the Trust's operating company Tall Ships Ltd is:-

- NMM has responsibility for all operational and technical issues for the Brig including emergency response co-ordination and is the employer of all Salaried Crew (Brig, Challengers and Cat).
- Tall Ships Ltd has responsibility for the operational and technical issues for the Challengers and Cat including emergency response co-ordination and the rostering and travel arrangements for all Salaried Crew (Brig, Challengers and Cat) and all aspects of managing the Volunteer Crew (Brig, Challengers and Cat).

The Trust has a reputation for good cost management and we were pleased that we managed to reduce the fleet's operating costs by 4% compared to 2010/11. This was achieved through a variety of initiatives including careful cost management of repairs and maintenance on the Brig and better use of volunteers and negotiation of intermediate port charges on the Challengers and the Cat.

Our aim for 2012/13 is to keep the fleet's operating costs as low as possible. This will be helped by the fact that the operating costs of the four Challengers will continue to be 35% lower than those of the one Brig. We will also continue the various cost management initiatives we began in 2011/12 and introduce others as circumstances allow.

Our vessels must be maintained to the highest safety standards against a background of increasingly stringent legislation. As part of the normal cycle of regulatory requirements for sail training vessels, Stavros will have its next interim dry docking and the Challengers will have their five year surveys during 2012/13. The cost of this work, including associated repairs and maintenance, will be £200K. We will be working hard to recoup as much as we can of this from running costs and to fundraise for the balance.

We thank our Salaried Crew, Volunteer Crew and 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.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Promoting the Trust

During 2011/12, 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.

We also developed and launched our new website. This has been very well received. It has a younger, fresher feel and is easier to navigate. Whilst our old site introduced online bookings several years ago, we have been able to introduce real time bookings with the new site, which has also speeded up the reservations process. We have introduced a new Volunteer Crew section, a one-stop location for information and support and using this, we have been able to make the bidding process electronic. With the cost of supporting software now at a realistic level, we have been able to introduce online donations, both one-off and monthly, for the first time through the Trust's own site instead of using an external fundraising site... A rigorous recruitment and negotiation process meant that we delivered the new website for just £7K. Website traffic continues to be very high with 10,000 to 50,000 unique visitors a month depending on the time of year.

In 2012/13 we will be launching our new Facebook site and this will enable us to introduce a new approach to PR and marketing using social media.

Meanwhile, our Enews is now produced in house and distributed fortnightly, enabling us to reach our target market and supporter base at minimal cost. We also continue to evolve our voyage brochures and other marketing material as selling tools. We will be launching several new ones in 2012/13.

We plan to maximise the promotional benefits to the Trust of 2012's highest profile events – the Olympics and the Queen's Diamond Jubilee. Stavros has been chosen to be part of the UK's Olympic torch bearing procession and will carry the torch into Dover on 18 July. There will be a full complement of young people on board, paid for by Kent County Council. The Trust is also the named charity of the prestigious Poole Regatta which will take place over the Queen's Diamond Jubilee weekend in June. Two Challengers will be taking part in the Regatta and as all the local sailing clubs will be involved, it will be a good opportunity to raise the Trust's profile and to promote our work with young people.

We trialled a new form of Regional Event in 2011/12 based on our already successful Port Events model. These were aimed at promoting the Trust's work, re-energising our existing local supporters, donors and recruiters of young people as well as attracting new ones. Regional Events were held in several ports including Liverpool, Greenock, Newcastle and Barry/Cardiff. These proved very successful. We plan to run similar events in 2012/13.

The Trust held its third Charity Golf Day in September 2011 supported by donors, volunteers, staff, crew and suppliers. The event raised over £3K for young people's bursaries for disadvantaged young people. The next Charity Golf Day will take place on Thursday 11 October 2012.

The Trust's seventh Charity Yacht Regatta took place in November 2011, bringing together Trust supporters and volunteers from around the UK and helping us to raise awareness of the Trust's work 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. The 2012 event will again take place in November.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Fundraising

The Trust had a very successful fundraising year in 2011/12 and raised £951K more income than in 2010/11.

Income from day to day fundraising activities (grant making trusts and individual giving) was £117K up on the previous year.

Approaching grant making trusts again proved successful, using a number of different “asks” individually tailored to the specific criteria set by each trust. We have a number of grant making trusts that donate to us each year and we are very grateful to these for their continued support. We were also able to approach a number of new grant making trusts based on our new young people initiatives. As a result, and despite the difficult financial environment which has reduced the value of and therefore the income from grant making trusts’ investments, income from grant making trusts was 13% up on 2010/11.

Meanwhile, income from individual giving was nearly twice the level of 2010/11. We are extremely lucky to have hundreds of individual donors. Some respond to cash appeals while others give a regular monthly donation/subscription or donate the proceeds from an event. Many of our supporters give multiple donations using all of these routes. We had an excellent response to our two cash appeals and raised twice the normal level of donations as a result. We also received a very generous donation of £30K from one supporter which paid for the new safety boat and outboard engines needed for Stavros. Other income came from supporters giving talks or taking part in sponsored events and from supporters who asked for donations instead of birthday presents or in memory of someone special.

We are very grateful to all of those who supported the Trust’s day to day fundraising activities during 2011/12 despite the difficult economic times.

The launch of our new website in 2011/12 enabled us to develop a new and comprehensive fundraising section. This included examples of supporters’ fundraising activity and suggestions for how individuals might support the Trust. We plan to develop the fundraising section of the website further in 2012/13.

We also plan to launch a new committed giving scheme – the Fellowship. This will bring together all of those whose lives have been touched by our work and who want to help us to continue it. This not only includes those who have sailed with us since 1956 but also the thousands of parents, carers, teachers etc who have seen for themselves how our voyages can change young people as well as the crews who have supported them along the way. It will provide much needed, regular income to keep our vessels operating so that more young people can experience their magic and life changing benefits.

Legacies were another very welcome and valuable source of income in 2011/12, bringing in £300K more than in 2010/11. We received income from four estates and we are very grateful indeed to all of those who chose to leave us funds in their wills.

The legacies in 2011/12 included an exceptionally large legacy of £340K given specifically for the purpose of buying the three remaining Challengers. This enabled us to secure the early purchase of these vessels (see next page).

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

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Fundraising (continued)

The Trustees again lent their support to fundraising in 2011/12 through the Young People First Campaign. This uses a “major gift” technique which relies on one individual approaching another who is personally known to them and who has significant personal wealth 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.

The Trustees approached over 100 companies and high net worth individuals for support during the year. As a result, donations were £157K higher than in 2010/11, including one exceptionally large and generous donation of £116K. The Campaign’s activity was supported by Deck Receptions in July and September and a day sail in November. We thank all of those who supported the Campaign during the year. Plans for 2012/13 include a number of activities to increase the Trust’s high level supporter base.

Sadly, one of our longest standing and most generous supporters, Vice Patron Giles Pritchard-Gordon lost his fight to leukaemia in October 2011. In addition to numerous generous donations over the years, Giles was also one of three supporters who helped us to secure three Challengers in 2007/08 when his company bought one of them for our use. The Trust’s commitment was to buy Giles’ Challenger from his company for £290K by August 2012. However, prior to his death, Giles made one final generous gesture, reducing the cost to £200K and in effect donating £90K back to us if we could make the purchase quickly.

Vice Patron Mike Aiken, another Challenger owner and generous benefactor over many years, also decided to donate £90K to the Trust. The total of these two donations, including gift aid, amounted to £202K.

Having secured £542K from these exceptional donations and the £340K legacy referred to above, specifically to buy the three Challengers, we only had to find £328K to secure the ownership of all three vessels.

Having bought the three Challengers and having recently had them valued at £370K each, the accounts show a further donation of £175K, being the difference between the contractual price of £290K and the £370K market value (less the capitalisation of improvements already paid for by the Trust, specifically to the rigging and liferafts).

Volunteers

The 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) whilst others offer their services on our vessels or help out at fundraising events, exhibitions and port events. Many are involved in several different activities for the Trust.

Our Volunteers are an essential element in everything we do and their contribution can be seen in every section of this Report.

We estimate that the Trust has some 2,500 individuals currently giving freely and regularly of their time and we are very grateful to them all.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Financial Results for the Year Ended 29 February 2012

Overall, financial performance improved by a tremendous £1,481K in 2011/12 compared to 2010/11 with the accounts showing a surplus of £403K for the year.

The main elements of this improvement were:

- £149K improved fleet performance - Despite an economic downturn, our sales and marketing initiatives are delivering year on year increases in voyage income, up 6% on 2010/11. Operating costs were reduced by 4% through various initiatives including careful cost management of repairs and maintenance on the Brig and better use of volunteers and negotiation of intermediate port charges on the Challengers/Cat.
- £117K more income from day to day fundraising activities – Income from grant making trusts was up 13%, individual giving was nearly twice the level of the previous year due to the tremendous response to our two cash appeals, a large donation to purchase equipment for the Brig and donations from a variety of supporter fundraising activities
- £157K more income from the Young People First Campaign – Trustees increased their level of activity, approaching over 100 companies and high net worth individuals, so increasing income, including an exceptionally large and generous donation of £116K
- £300K more legacy income – Income was received from four estates including an exceptionally large legacy of £340K given specifically to buy the three Challengers owned by Trustees/Vice Patrons
- £202K of new donations from two Vice Patrons – Two exceptionally large and generous donations were received from the owners of two Challengers to facilitate their purchase by the Trust
- £175K revaluation donations – Difference between the £290K cost price and £370K market value of the three Challengers bought in 2011/12 from Trustees/Vice Patrons, less the written down value of improvements made
- £119K fixed asset revaluation – Revaluation gain on Challenger owned since 2007/08
- £177K less MNOPF provisions – Provision was made in 2010/11 for further deficits in the MNOPF (not repeated in 2011/12)
- £155K less costs of sold Brig – The financing and alongside costs of the Brig which was sold in 2010/11 were not repeated in 2011/12
- (£65K) less endowment - Lower market gain in value of investments in the year

Against a commitment to buy the three remaining Challengers from Vice Patrons/Trustees by August 2012, we completed the purchase early in 2011/12 by raising £542K (see above). This meant we only had to spend £328K to buy the vessels which have a joint market value of £1.1M. We raised this by contributing £7.5K directly and loans of £200K and £120K kindly agreed by the Andrew Salvesen Endowment Fund and by the owner of the third Challenger.

The Trust has a strong balance sheet with a fleet of £5.5M book value and limited borrowings.

The Trust ended the year with £3,398K in its unrestricted funds and £2,173K in its restricted and endowment funds, so that total funds were £5,571K.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Future Financial Prospects and Reserves Policy

The Trust made significant financial progress in 2011/12. The fleet's financial performance improved (voyage income up 6%, operating costs down 4%) and fundraising income from both grant making trusts and individuals increased significantly. We have bought the three remaining Challengers with a market value of £1.1M for just £328K and we did so well before the August 2012 deadline to which we were committed. We have a strong balance sheet, including a fleet of £5.5M book value, and limited borrowings.

These are extremely good achievements but we must not be complacent. Several donations in 2011/12 were exceptional so are unlikely to be repeated. In addition, costs will continue to rise with inflation and the vessels must be maintained to the highest safety standards against a background of increasingly stringent legislation

The mixed fleet model – a Tall Ship and Ocean Going Yachts – is a good one for the Trust, one we want to retain, offering as it does the most diverse development opportunities for young people. We also see the group bookings market growing and we want to pursue and maximise the opportunities of this trend which leans us towards smaller vessels. At the same time and like many other charities, particularly those affected by seasonality, cash remains tight. So we also want to improve financial stability. We recognise that we are more likely to achieve this going forward by reducing costs than by relying on fundraising income given the current economic climate. For these reasons we have adopted a new three year Business Plan which proposes replacing our 60m Brig with a smaller Tall Ship. This will support our expanding group business as well as reduce costs further. This new fleet will fit better with our current and proposed business model whilst allowing us to continue developing our work with young people.

We have largely raised the funds needed to implement this Business Plan and these include a donation of £100K received in early 2012/13. The successful execution of the Business Plan will see the proceeds from the sale of the Brig being utilised to repay borrowing arranged to finance the Business Plan and provide core funding for the replacement smaller Tall Ship. Nevertheless, the Trustees recognise that 2012/13 will be another challenging year financially but take comfort from 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 meet any potential gap between income and expenditure. We recognise that it will take many years to achieve this but, once achieved, it will protect the charitable work of the Trust's thousands of supporters of the past half century.

Risk Review

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

Operations - The principal risk is associated with running the Trust's ocean-going vessels. The safety of everyone on board is paramount. All significant activities are risk reviewed at initial assessment and implementation. Salaried/Volunteer crew receive training. Voyage Crew are trained and supervised. All vessels are maintained to the highest safety standards, in compliance with MCA and other regulatory standards.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Risk Review (continued)

Fundraising Income – The risk of not securing voluntary income in these difficult economic times is being mitigated by approaching a broader range of funders than previously.

Public Sector Funding – The risk to existing income streams is limited as the Trust does not receive any statutory grants and only limited public sector income for providing services to young people. New initiatives such as the National Citizen Service are welcomed.

Business Plan – There is a risk that the trading and other assumptions in the Business Plan change. If this happens, an alternative plan would be developed.

Liquidity - 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 Rates - 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 - The Trust's principal financial assets are investments, bank deposits, cash and debtors. The credit risk associated with bank deposits and cash is low. The principal credit risk arises from debtors. To manage this, all voyage fees are paid prior to departure.

Pensions – The Trust's subsidiary, Tall Ships Limited ("TSL"), is a member of the multi employer pension fund, the MNOFF. TSL is in the process of agreeing a revised funding plan with the MNOFF. There is the risk that the funding assumptions of the pension fund are amended resulting in a change in the funding requirement by TSL.

Investments - The Trust employs an investment manager to manage the funds on a discretionary basis, with agreed objectives for a diversified portfolio invested in a medium risk spread of assets. The Trustees keep these guidelines under review and, at quarterly intervals, review the performance of the investments against an appropriate benchmark.

Investment Powers and Investment Policy

The Articles of Association give the Trustees the power to invest the monies of the Trust not immediately required for its purposes in or upon such investments, securities or other property as may be thought fit, subject nevertheless to such conditions and such consents as may for the time being be imposed by law. The portfolio achieved a total return of +5.9% for the twelve month period to 29 February 2012, which compares favourably with a 2.9% rise in the benchmark, WM Charities Universe – Total Charities index. The sum of £439,500 was withdrawn from the portfolio during the period. Over the four year period to 29 February 2012, the portfolio gained 20.4% versus a 20.8% rise in the benchmark. With an indebted UK government, high inflation and interest rates set to only move in one direction, the portfolio remains underweight in fixed interest and holdings are focussed on a well diversified mix of index-linked securities and overseas blended bond funds. Consequently the weighting to equities is greater than the benchmark. The equities within the portfolio are, however, generally defensive in nature and there remains a clear focus on economically insensitive companies that are well managed, have strong balance sheets and secure cash-flows. There is a further focus on those companies generating a large proportion of their revenues overseas. We are comfortable with the current structure of the portfolio in order to meet the objectives of the fund and believe the fund to be well diversified and suitably positioned to weather the anticipated continued volatility in the coming 12 months. An estimated gross annual income of £19,208 was being generated by the investments as at the 29 February 2012, equivalent to a gross yield of 3.5%.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

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 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.

Our Trustees and Vice Patrons remained unchanged in 2011/12 with the exception of Giles Pritchard-Gordon, who sadly passed away in October 2011. Over the years, Giles had donated significant sums for bursaries, paid for the ship management company which oversaw the building of the Brigs and introduced us to the Stavros S Niarchos family. We will all miss Giles' tremendous enthusiasm for the Trust's work, broad business experience and wise counsel. We thank all who gave of their time to support the Trust during the year.

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 the financial statements in accordance with United Kingdom Generally Accepted

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 29 FEBRUARY 2012

Statement of Trustees' Responsibilities (continued)

Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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. 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable 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. The Trustees 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 they ought to have taken to make themselves aware of any relevant audit information and 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
29 May 2012

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS AND TRUSTEES OF TALL SHIPS YOUTH TRUST

We have audited the financial statements of Tall Ships Youth Trust for the year ended 29 February 2012 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated summary income and expenditure account, the consolidated and parent charitable company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members and trustees, 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 and trustees 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 its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement set out on pages 16 and 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

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 29 February 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS AND TRUSTEES OF TALL SHIPS YOUTH TRUST
(CONTINUED)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Stephen Mills
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
30 May 2012

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 yachts and 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. The 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 11) drawn up to 29 February 2012. 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.

Incoming Resources from Charitable Activities

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

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

INCOMING RESOURCES (CONTINUED)

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.

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	4-20 years
Computers and Office Equipment	5 years
Display and Exhibition Equipment	3 years
Fixtures and Fittings	18 months

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES

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.

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.

Defined Benefit Scheme

Some former employees of the Trust's active subsidiary, Tall Ships Limited, were members of the Merchant Navy Officers Pension Fund, which is a multi-employer scheme. Tall Ships Limited is unable to identify its share of the underlying assets and liabilities of this scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for it as if it were a defined contribution scheme.

LEASED ASSETS

Finance lease agreements

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of financial activities so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating lease agreements

Leases 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 29 FEBRUARY 2012

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2012 £	Total 2011 £
Incoming resources						
Incoming resources from generated funds						
Voluntary income	1	1,050,332	440,372	-	1,490,704	539,646
Activities for generating funds	2	28,200	-	-	28,200	22,020
Investment income		173	1,767	24,563	26,503	17,689
Incoming resources from charitable activities	3	<u>1,703,250</u>	<u>-</u>	<u>-</u>	<u>1,703,250</u>	<u>1,610,873</u>
Total incoming resources		<u>2,781,955</u>	<u>442,139</u>	<u>24,563</u>	<u>3,248,657</u>	<u>2,190,228</u>
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		236,151	-	-	236,151	242,593
Costs of activities for generating funds		14,334	-	-	14,334	12,160
Investment management costs		-	-	7,298	7,298	3,504
Charitable activities		2,186,884	466,088	-	2,652,972	2,929,280
Governance costs		35,168	-	-	35,168	37,319
Other costs		24,531	-	-	24,531	110,834
Total resources expended		<u>2,497,068</u>	<u>466,088</u>	<u>7,298</u>	<u>2,970,454</u>	<u>3,335,690</u>
Net incoming/(outgoing) resources before other recognised gains and losses		284,887	(23,949)	17,264	278,203	(1,145,462)
Other recognised gains and losses						
Transfers between funds		(40,390)	62,057	(21,667)	-	-
Gain on revaluation of fixed assets		119,008	-	-	119,008	-
Gains/(losses) on investment assets		(4,931)	-	10,515	5,584	67,513
Net incoming/(outgoing) resources for the year		358,574	38,108	6,113	402,795	(1,077,949)
Fund balances brought forward at 1 March 2011		<u>3,039,598</u>	<u>1,141,416</u>	<u>987,220</u>	<u>5,168,234</u>	<u>6,246,183</u>
Fund balances carried forward at 29 February 2012		<u>3,398,172</u>	<u>1,179,524</u>	<u>993,333</u>	<u>5,571,029</u>	<u>5,168,234</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 29 FEBRUARY 2012

	2012 £	2011 £
Total income	3,224,094	2,174,710
Total expenditure	<u>(2,963,156)</u>	<u>(3,320,397)</u>
Net outgoings for the year before transfers	<u>260,938</u>	<u>(1,145,687)</u>

Total income comprises £2,781,955 (2011: £1,835,089) for unrestricted funds and £442,139 (2011: £339,621) 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 6.

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 29 FEBRUARY 2012

	Note	Consolidated 2012 £	2011 £	Tall Ships Youth Trust 2012 £	2011 £
Fixed assets					
Tangible assets	10	5,562,074	4,590,198	5,562,074	4,590,198
Investments	11	-	-	160,409	160,409
		5,562,074	4,590,198	5,722,483	4,750,607
Current assets					
Stocks		5,715	5,719	250	250
Debtors	12	242,473	302,483	49,450	36,446
Investments	13	570,173	978,768	570,173	978,768
Cash at bank and in hand		69,560	122,764	24,683	94,109
		887,921	1,409,734	644,556	1,109,573
Creditors: amounts falling due within one year	14	(594,823)	(553,063)	(768,925)	(669,589)
Net current assets / (liabilities)		293,098	856,671	(124,369)	439,984
Total assets less current liabilities		5,855,172	5,446,869	5,598,114	5,190,591
Creditors: amounts falling due after more than one year	15	(284,143)	(278,635)	(4,728)	-
		5,571,029	5,168,234	5,593,386	5,190,591
Capital funds					
Endowment funds	16	993,333	987,220	993,333	987,220
Income funds					
Restricted funds	17	1,179,524	1,141,416	1,179,524	1,141,416
Revaluation reserve	18	115,947	-	115,947	-
Other unrestricted funds	18	3,282,225	3,039,598	3,304,582	3,061,955
		5,571,029	5,168,234	5,593,386	5,190,591

The financial statements were approved by the Trustees on 29 May 2012

Jock Lennox

Jock Lennox
Chairman of the Council

Charity Number: 314229

Company Number: 567460

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 29 FEBRUARY 2012

1 INCOMING RESOURCES FROM VOLUNTARY INCOME

	2012	2011
	£	£
Donations	1,090,735	445,820
Legacies	354,540	54,328
Membership	45,429	39,498
	<u>1,490,704</u>	<u>539,646</u>

2 INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING INCOME

	2012	2011
	£	£
Fundraising Events	<u>28,200</u>	<u>22,020</u>

3 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2012	2011
	£	£
Generated from Ship Operations	1,661,836	1,560,476
Grants (receivable from Association of Sea Training Organisations for Youth Work)	<u>41,414</u>	<u>50,397</u>
	<u>1,703,250</u>	<u>1,610,873</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

4 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:-

	2012 £	2011 £
Turnover	1,778,861	1,688,928
Operating costs	(1,867,345)	(2,170,791)
Other income – subvention receipt	88,449	489,846
	<hr/>	<hr/>
Operating profit	(35)	7,983
Interest receivable	46	27
Interest payable and other charges	(11)	(8,010)
	<hr/>	<hr/>
Net profit	-	-

The net assets and liabilities of the active subsidiary are:

	2012 £	2011 £
Current assets	468,950	533,878
Creditors: amounts falling due within one year	(189,535)	(255,243)
Creditors: amounts falling due after more than one year	(279,415)	(278,635)
	<hr/>	<hr/>
Total net assets	-	-
Aggregate of share capital and reserves	-	-

5 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 £33,650 (2011: £46,255) in the year.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

6 ANALYSIS OF RESOURCES EXPENDED

	Direct costs £	Support costs £	Total 2012 £	Total 2011 £
Cost of generating funds				
Costs of generating voluntary income:				
Fundraising costs	185,064	51,087	236,151	242,593
Costs of activities for generating funds:				
Events costs	14,046	287	14,334	12,160
Investment management costs	7,298	-	7,298	3,504
Charitable activities				
Ship related costs	1,550,266	-	1,550,266	1,697,447
Depreciation	223,278	3,638	226,916	198,401
Bursaries and grants paid from restricted funds	466,088	-	466,088	415,000
Defined benefit pension scheme contribution	-	-	-	192,183
Other expenses	292,300	117,402	409,702	426,249
	2,531,932	121,040	2,652,972	2,929,280
Governance costs				
Staff costs	15,629	-	15,629	15,556
Auditors remuneration	16,460	-	16,460	17,000
Administrative expenses	708	2,371	3,079	4,763
	32,797	2,371	35,168	37,319
Other costs				
Interest payable and other charges	24,531	-	24,531	110,834
Total resources expended include:				
			2012	2011
			£	£
Auditors remuneration				
Audit services			14,500	15,000
Non-audit services			1,500	1,500
Expenses			460	500
			16,460	17,000
Depreciation			226,916	212,977
Operating lease rentals			25,418	25,418

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

7 EMPLOYEES

Employee costs during the year were as follows:

	2012	2011
	£	£
Wages and salaries	434,861	454,810
Social security costs	46,694	48,044
Other pension costs	21,055	22,491
	<u>502,610</u>	<u>525,345</u>

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

	2012	2011
Management and administration	<u>13</u>	<u>13</u>

The emoluments of higher paid employees fell within the following ranges

	2012	2011
	Number	Number
£60,001 to £70,000	1	1
£70,001 to £80,000	<u>1</u>	<u>1</u>

8 PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

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

Expense reimbursements for travel and subsistence were paid to one (2011: two) Trustee(s) during the year and in total amounted to £291 (2011: £628).

9 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.

The surplus of income over expenditure for the year includes £402,795 (2011: deficit of £1,077,949) that is dealt with in the financial statements of the charity. This is stated after the subvention payment of £88,449 (2011: £489,846) to its subsidiary Tall Ships Limited.

Details of the results of the trading subsidiary are set out in note 4.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

10 TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust	Brig £	Yachts £	Computers, Fixtures and Equipment £	Total £
Cost or valuation				
At 1 March 2011	5,696,094	611,060	139,864	6,447,018
Additions	19,402	1,044,948	15,434	1,079,784
Revaluation	-	57,785	-	57,785
At 29 February 2012	<u>5,715,496</u>	<u>1,713,793</u>	<u>155,298</u>	<u>7,584,587</u>
Depreciation				
At 1 March 2011	1,621,921	97,421	137,478	1,856,820
Provided in the year	154,149	69,129	3,638	226,916
Revaluation	-	(61,223)	-	(61,223)
At 29 February 2012	<u>1,776,070</u>	<u>105,327</u>	<u>141,116</u>	<u>2,022,513</u>
Net book amount at 29 February 2012	<u>3,939,426</u>	<u>1,608,466</u>	<u>14,182</u>	<u>5,562,074</u>
Net book amount at 28 February 2011	<u>4,074,173</u>	<u>513,639</u>	<u>2,386</u>	<u>4,590,198</u>

Additions to Yachts comprise the purchase of Challengers 1, 2 and 3 from related parties (see note 24) which are required under UK GAAP to be accounted for at the market value of the assets. The deemed cost of the purchases is therefore the open market value of the Challengers less certain improvement costs borne by the Trust in prior years and already included in the cost of Yachts at 1 March 2011. The Trust's other Challenger yacht has been revalued to its open market value by the Trustees on the basis of appropriate professional advice.

The figures stated above for cost or valuation in respect of Yachts comprise assets at:

	£
Cost	1,343,793
Valuation	370,000
	<u>1,713,793</u>

If certain fixed assets had not been revalued, they would have been included on the historical cost basis at the following amounts:

	Yachts £
Cost	290,000
Accumulated depreciation	80,556
Net book amount at 29 February 2012	<u>209,444</u>
Net book amount at 28 February 2011	<u>228,777</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

Included within the net book value of £5,562,074 is £12,268 (2011: £nil) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £2,454 (2011: £nil).

11 FIXED ASSET INVESTMENTS

	2012 £	2011 £
Investment in Subsidiary undertakings	<u>160,409</u>	<u>160,409</u>

At 29 February 2012 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, Tall Ships 2000 Limited and The Sail Training Association. All of the subsidiary undertakings have been consolidated in these financial statements.

12 DEBTORS

	Consolidated		Tall Ships Youth Trust	
	2012 £	2011 £	2012 £	2011 £
Trade debtors	5,208	10,136	-	-
Amounts owed by group undertakings	-	-	1,955	1,955
VAT	13,384	9,933	3,806	2,442
Unamortised dry docking costs	156,340	234,775	-	-
Other debtors	54,753	26,104	37,966	24,705
Prepayments	12,788	21,535	5,723	7,344
	<u>242,473</u>	<u>302,483</u>	<u>49,450</u>	<u>36,446</u>

13 CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2012 £	2011 £	2012 £	2011 £
Listed investments (in the UK)	561,404	933,974	561,404	933,974
Cash held as part of portfolio	5,333	41,581	5,333	41,581
Unlisted investments (in the UK)	3,436	3,213	3,436	3,213
	<u>570,173</u>	<u>978,768</u>	<u>570,173</u>	<u>978,768</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.

During the year, some endowment fund investments were sold and the amount realised was loaned to the Trust, with the consent of the donor of the endowment fund. The loan is secured by a charge over one of the Trust's vessels in favour of the endowment fund.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2012	2011	2012	2011
	£	£	£	£
Bank loans and overdrafts	-	56,531	-	56,531
Loans from Trustees and funders	169,610	-	169,610	-
Payments received on account	255,227	349,391	137,156	203,508
Trade creditors	53,230	52,311	7,943	11,171
Amounts owed to group undertakings	-	-	363,637	340,253
Amounts due under finance leases	4,907	-	4,907	-
Social Security and other taxes	12,799	15,471	12,799	15,471
Other creditors and accruals	99,050	79,359	72,873	42,655
	594,823	553,063	768,925	669,589

Loans from Trustees and funders are secured by fixed charges over the Trust's vessels (see note 24).

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2012	2011	2012	2011
	£	£	£	£
Amounts due under finance leases (due within 2 to 5 years)	4,728	-	4,728	-
Other creditors	279,415	278,635	-	-
	284,143	278,635	4,728	-

16 ENDOWMENT FUNDS

	Andrew Salvesen £	Michael Crocker £	Nova Scotia £	Lord Burnham £	Total £
At 1 March 2011	946,916	10,443	10,128	19,733	987,220
Incoming resources	23,455	290	289	529	24,563
Outgoing resources	(6,980)	(83)	(83)	(152)	(7,298)
Inter-fund interest receivable	23,811	-	-	-	23,811
Other inter-fund transfers	(45,478)	-	-	-	(45,478)
Net gains on investments	9,384	296	295	540	10,515
At 29 February 2012	951,108	10,946	10,629	20,650	993,333

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.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

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 2011	58,220
Investment return - accumulated losses to 1 March 2011	-
Investment return - year to 29 February 2012	
Dividends	24,563
Inter-fund interest receivable	23,811
Gains and losses	10,515
Investment management costs	(7,298)
Unapplied total return before transfer to income	109,811
Unapplied total return applied	(45,478)
Unapplied total return at 29 February 2012	64,333
Original value of gifts	929,000
Permanent endowment including the unapplied total return	993,333

17 RESTRICTED FUNDS

	Specific Funds £	International Fund £	Total £
At 1 March 2011	964,708	176,708	1,141,416
Incoming resources (including inter-fund transfers)	502,429	1,767	504,196
Outgoing resources	(466,088)	-	(466,088)
At 29 February 2012	1,001,049	178,475	1,179,524

The Specific Funds are donations made to the Trust to be used for specified purposes. At 29 February 2012 there were 113 separate funds (2011: 91).

The International Fund is restricted within the accounts of the Trust for the support of international sail training activities.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

18 UNRESTRICTED FUNDS

Consolidated	Revaluation reserve £	General reserve £	Total £
At 1 March 2011	-	3,039,598	3,039,598
Incoming resources (including inter-fund transfers)	-	2,827,432	2,827,432
Outgoing resources (including inter-fund transfers)	-	(2,587,866)	(2,587,866)
Gain on revaluation of fixed assets	119,008	-	119,008
Transfer between reserves	(3,061)	3,061	-
	115,947	3,282,225	3,398,172
At 29 February 2012			
	115,947	3,304,582	3,420,529

Tall Ships Youth Trust	Revaluation reserve £	General reserve £	Total £
At 1 March 2011	-	3,061,955	3,061,955
Incoming resources (including inter-fund transfers)	-	1,078,658	1,078,658
Outgoing resources (including inter-fund transfers)	-	(750,643)	(750,643)
Gain on revaluation of fixed assets	119,008	-	119,008
Transfer between reserves	(3,061)	3,061	-
Subvention payment to subsidiary undertaking	-	(88,449)	(88,449)
	115,947	3,304,582	3,420,529
At 29 February 2012			

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
Consolidated				
Tangible fixed assets	5,562,074	-	-	5,562,074
Current assets	(1,284,936)	1,179,524	993,333	887,921
Current liabilities	(594,823)	-	-	(594,823)
Creditors: due after more than one year	(284,143)	-	-	(284,143)
	3,398,172	1,179,524	993,333	5,571,029
Tall Ships Youth Trust				
Tangible fixed assets	5,562,074	-	-	5,562,074
Investments	160,409	-	-	160,409
Current assets	(1,528,301)	1,179,524	993,333	644,556
Current liabilities	(768,925)	-	-	(768,925)
Creditors: due after more than one year	(4,728)	-	-	(4,728)
	3,420,529	1,179,524	993,333	5,593,386

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

20 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 former employees of the Trust's active subsidiary, Tall Ships Limited, ("TSL") have belonged to an industry wide pension scheme – the Merchant Navy Officers Pension Fund ('MNOFP'). The Trustee Board of MNOFP has advised that part of the scheme is in deficit and it is apportioning the deficit between participating employers.

The share of the deficit attributable to TSL from the March 2003 and March 2006 actuarial valuations amounted to £159,393 and agreement was reached with the MNOFP Trustee Board for this to be paid over a number of years together with interest on the outstanding balance. A further liability of £177,320 from the March 2009 actuarial valuation was fully provided for in the 2011 financial statements. TSL is in discussion with the MNOFP Trustee Board to agree a revised repayment schedule and a reduction in its share of the scheme deficit.

The aggregate liability at 29 February 2012, including accrued interest and net of repayment instalments paid was £290,512 (2011: £289,781).

21 CAPITAL COMMITMENTS

There were no capital commitments at 29 February 2012 or 28 February 2011. No amounts were authorised but not yet contracted for.

22 CONTINGENT LIABILITIES

There were no contingent liabilities at 29 February 2012 or at 28 February 2011.

23 LEASING COMMITMENTS

Operating lease payments amounting to £25,418 (2011: £25,418) are due within one year. The leases to which these amounts relate expire as follows:-

	2012		2011	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	-	-	-	-
Between two and five years	20,750	4,668	-	4,668
In more than five years	-	-	20,750	-
	<u>20,750</u>	<u>4,668</u>	<u>20,750</u>	<u>4,668</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2012

24 RELATED PARTY TRANSACTIONS

Purchase of assets

The Trust had previously entered into charter agreements with Mr M P Aiken, Pritchard-Gordon Tankers Limited and Mr J A F and Mrs I G L Cowderoy in respect of the yachts Challenger 1, 2 and 3 respectively, under the terms of which the Trust committed to purchase each Challenger at a price of £290,000. The purchases were completed during the year but as transactions with related parties they have been accounted for at the market value of the assets as required under UK GAAP, with the excess over the amount actually paid taken to income as donations.

Mr Aiken and Pritchard-Gordon Tankers Limited agreed to reduce the price of their Challengers to £200,000 so the aggregate consideration payable was £690,000, of which £570,000 has been paid in cash with £120,000 remaining as a loan to the Trust. The loan is repayable no later than 8 August 2012 and bears interest at 3% per annum.

Loans

During the year a loan facility was established by a syndicate of Trustees against which the Trust drew down £49,610. The loans bear interest at 5% per annum and are repayable 12 months of the date of draw down, or earlier if alternative funds become available to the Trust from other sources.

Tall Ships Youth Trust

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