



**TALL SHIPS
YOUTH TRUST**

**Financial Statements
Year Ended 28 February 2013**

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

Highlights of the Year to 28 February 2013

Charitable Mission – Young People

- ◆ Young people numbers increased +8% (+36% in five years since Challengers introduced)
- ◆ Scope and diversity of work with young people expanded. New initiatives launched such as Special Needs London Project. UK-wide project in development for NEETS (young people not in employment, education or training)
- ◆ Proportion of young people who are disadvantaged or disabled 73% (43% five years ago)
- ◆ The Trust celebrated its 100,000th trainee at sea in 2012/13

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 30% less than the one Brig)

Volunteers, Supporters, Communications

- ◆ 2,500 volunteers and regular supporters supported the Trust's activities
- ◆ New committed giving scheme - The Fellowship – launched to bring supporters together
- ◆ Stavros carried Olympic Torch into Dover in BBC1 televised event at peak viewing time
- ◆ New Facebook site launched – over 1,200 followers in first six months.

Financial Performance

- ◆ Underlying financial performance solid:-
 - Day to day fundraising up £37K, 6% on 2011/12
 - Fleet costs held at 2011/12 level with the exception of work required to maintain vessels in Class - (£37K) repairs associated with Stavros' two and a half year dry docking and (£48K) for the Challengers' five year surveys
- ◆ Business Plan on track – replacement of existing Tall Ship with smaller Tall Ship which will better suit our youth work, growing small group work and business model
- ◆ Overall, net outgoing resources (£682K), in line with Business Plan expectations, and reducing to (£257K) net of non-cash and exceptional items. This is (£1,085K) worse than 2011/12 but mainly due to (£1,009K) exceptional income in 2011/12 related to the purchase and revaluation of the Challengers.

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TALL SHIPS YOUTH TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 28 FEBRUARY 2013

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 Mr T P Allen (appointed 22 June 2012) 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 A C Salvesen Mr M Slade Mr B A Stewart Mr D Tydeman (appointed 2 June 2012) Mr I Ventham Mr T Vokos Mrs C Williams
Trustees	Mr T P Allen (stood down 29 February 2012) Mr M Broughton Mr P Coleman Mr W D Cormie MA CA Mr R Evans Mr W M Garnett Maj. Gen. J Gordon CBE (appointed 28 November 2012) Surg. Lt. Cdr. C Griffiths RN Mr M Le May Mr J Lennox Mr O Michaelson Sir Michael Moore KBE LVO Mr S J Roberts Mr C Tite (appointed 28 November 2012) Mr D Tydeman (stood down 30 April 2012)

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FOR THE YEAR ENDED 28 FEBRUARY 2013

Chief Executive Mrs C Law

Company Secretary Mr P Taylor

Auditors Grant Thornton UK LLP
No 1 Dorset Street
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Bankers Clydesdale Bank plc

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2013

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 2012/13 with its fleet providing voyages for young people 12 months of the year.

Purpose, Vision and Values

The Trust's **Purpose** is to increase young people's life chances and well-being by supporting them to develop their life skills, build self-esteem and aspirations, embrace a healthier more active lifestyle and get involved in volunteering. It does this using six residential youth centres (vessels). The Trust's current fleet is a 60m Tall Ship, Stavros S Niarchos; four 22m ocean going yachts, Challenger 1,2,3 and 4; and a 19m catamaran, Tall Ships Cat.

Our **Vision** is "to be the leader in youth development through the Tall Ships experience".

Our underlying **Values** are that 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 100,000 trainees have sailed 1.9 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.

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.

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Recent Developments, Major Achievements

Despite the recession, the number of young people benefitting from our work has grown by an impressive 36% in the five 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 young people who are disadvantaged or disabled increasing from 43% five years ago to 73% in 2012/13 and those who are non-white increasing from 4% to 19%. We have achieved this growth whilst 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 and this is reflected in the Business Plan. In particular, we continue to work hard to achieve this aim by implementing new fundraising initiatives and cost cutting measures.

The current Business Plan developed out of a major business restructuring to diversify opportunities for young people and improve financial stability. In 2010/11 we replaced 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. 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. However, the number of Challengers operating can be flexed as demand varies from season to season so reducing costs. As a result the Challenger Fleet operating costs are 30% 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.

The mixed fleet model – a Tall Ship and Ocean Going Yachts – is a good one for the Trust, one we want to retain, offering 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 in today's tough economic climate by reducing operating costs than by increasing fundraising income

For all of these reasons, our Business Plan 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.

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Charitable Mission – Young People

During 2012/13, we celebrated the wonderful achievement of our 100,000th trainee at sea.

Today, as in the Trust's formative years as The Sail Training Association, the development of young people is central to everything we do and we are proud of the reputation we have amongst education and youth work professionals for delivering effective, good quality services to young people. 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 such as the same rigorous recruitment and screening of prospective volunteers, the same Safeguarding Policy and Code of Conduct.

We expanded the scope and diversity of our work with young people in a number of ways during 2012/13. 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.

By working with these third parties, voyages become an integral part of a longer term development programme for each young person:-

Jane, Youth Justice Service: "The voyage was a real turning point for Sam. As soon as he was aware of his chance of going, not only did he manage to disassociate himself from the negative attitude of his peers but he stopped smoking cannabis. Six months and a voyage later, Sam is still cannabis free and is now fully committed to altering his offending behaviour so he can join the Marines. I still keep smiling every time I think about how this opportunity had a huge impact on his life. The Trust is to thank for this and I'm extremely grateful that this opportunity is made available to young offenders".

During 2012/13, we developed several new initiatives using the experience and feedback from our partner organisations. These included a new three year London based project to support 200 young people with special needs, funded by a very generous donation of £63K from a London based grant making trust. We are now working with special needs groups across the UK to reach more young people with various disabilities such as learning difficulties, ADHD, motor co-ordination problems, visual and hearing impairments and social interaction problems.

The stable platform provided by the Catamaran will be particularly helpful for our work with young people with special needs:-

Caroline, Special Educational Needs Co-Ordinator: "We have just done our first voyage with the Trust. The whole on board, living together experience ticks all the boxes of our aims and policies for offsite residential trips - well planned and implemented activities leading to improvements in achievements, standards, motivation and personal development. Excellent!"

Based on the very positive impact Trust voyages have on young people not in employment, education or training we are also planning a new NEET project in partnership with four other youth organisations across the UK.

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FOR THE YEAR ENDED 28 FEBRUARY 2013

Charitable Mission – Young People (continued)

The negative psychological impact of unemployment does permanent damage to young people's chances in life, increases the likelihood of their future unemployment and welfare dependence and leads to their poor physical and mental health.

The NEET project will be a six month intervention involving one-to-one and group sessions covering life skills such as communication, team work and problem solving as well as work ready topics such as writing a job application and interview skills. Other sessions will address any specific, individual needs identified with the young people such as physical and mental health issues. Young people will join a Trust voyage during the six month intervention to help stimulate positive changes:-

Colin, Senior Youth Manager: "After 20 years in youth work, I thought I'd seen it all but we built a level of trust and engagement with the young people during the 7 day voyage that would have taken 6-12 months to achieve on land. The 9 young people involved had varying personal issues in addition to being NEET but 4 months later, 8 of them are starting jobs, apprenticeships or college. Amazing!"

In partnership with other organisations, during 2012/13 we also further developed our "Sail for Heroes" project, National Citizens Service voyages and work with Young Carers.

As a result of these various new initiatives, and despite the recession, the number of young people we supported in 2012/13 increased by 8% year on year. A total of 1,753 young people sailed 10,282 voyage nights with the Trust in 2012/13. Following four consecutive years of increases, this means that the number of young people benefitting from our work has grown by an impressive 36% in the five years since introducing the Challengers.

In terms of other demographics in 2012/13, the proportion of young people who were disadvantaged or disabled was 73%, a significant increase on 43% five years ago, the male:female split was 64:36 and 19% of the young people were non-white.

Continuing the trend of the last few years, the number of young adults (those aged 18 to 25) who chose to sail on 18+ voyages rather than on 16-25 year old voyages remained high at 21%. This meant that 24% 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.

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

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

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Charitable Mission – Young People (continued)

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

- Over 95% enjoyed the voyage and had fun
- 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 2013/14 include:-

- Consolidating and building on partnerships with other youth organisations to maintain the number of young people sailing as in 2012/13.
- Continuing the development of work for young people with special needs
- Launching a new programme for young people not in employment, education or training in partnership with youth organisations across the UK
- Securing funds to deliver the projects

In summary, 2012/13 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 for making this so 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.

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.

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Tall Ships Academy (continued)

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 but have temporarily suspended further work until the replacement Tall Ship is operational as the programme and supporting material will need to be amended accordingly.

Following a successful launch in 2012/13, we plan to run more Royal Yachting Association shore based theory courses, including VHF and First Aid, in 2013/14 to encourage and support the further development of our Volunteer Crew.

Stavros S Niarchos, Challengers, Cat

Stavros S Niarchos began 2012/13 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. This included Stavros being chosen to be part of the UK's Olympic torch bearing procession. On 18 July, Stavros sailed into Dover carrying the Olympic torch at the end of a voyage for 48 local young people sponsored by Kent County Council. Other highlights for the year included voyages funded by Emmanuel Schools and HSBC Education Trust, a project with five schools in Tower Hamlets aimed at addressing local hostility issues and the European Tall Ships Races. In mid November Stavros sailed south to spend three months in the Canaries and Azores over the winter months.

Whilst two Challengers were completing their winter voyage schedule in the UK, the other two began 2012/13 in the Caribbean, sailing to the Azores before returning to the UK to join the rest of the fleet at the end of March. Highlights for the year included voyages sponsored by the Thames Valley Police and Foundation for the Sports and the Arts, National Citizen Service voyages 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 during 2012/13. Highlights included introductory sail training weekends for 12-13 year olds, voyages for young people with special needs and family support voyages.

Despite the continuing difficult trading conditions in 2012/13, various sales and marketing initiatives delivered strong bookings across the fleet from both existing and new customers. As a result, the number of individuals sailing on the Challengers increased by 7% year on year although a reduction in Stavros numbers due to it being out of service for two weeks for the dry docking meant that total fleet numbers were down by 2%.

Total numbers would have been level on the previous year without this programme interruption and following four consecutive years of increases, they are still a commendable 28% higher than they were five years ago when the Challengers were introduced.

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Stavros S Niarchos, Challengers, Cat (continued)

Income from the Challengers increased year on year, but overall the fleet delivered £72K lower income in 2012/13 due to Stavros' dry docking and a particularly lucrative one-off contracted voyage in 2011/12 only.

Sales and marketing priorities for 2013/14 include developing new sales distribution channels including through social media and maximizing the sales opportunities of high profile events. Voyage highlights will include the Fastnet Race, Challengers' Round Britain Programme and taster experiences at the Southampton Boat Show.

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 control and we were pleased that underlying costs were kept at the previous year's level. 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. The £83K increase in fleet costs year on year was due to £37K of repairs associated with the Stavros dry docking and £48K for the Challengers' five year surveys.

Our aim for 2013/14 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 30% lower than those of the one Brig. We will also continue the various cost management initiatives we began in 2012/13 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 had its interim dry docking in May and the Challengers rotated out of service throughout the year to complete their five year surveys. The cost of this work, including associated repairs and maintenance, was £200K.

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.

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Promoting the Trust

During 2012/13, 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 were particularly pleased to secure free space for several months in The Times as a result of one of the Trustee's contacts. This allowed us to develop an effective PR campaign to raise general awareness of the Trust and its work.

The new website, launched at the end of the previous year, continues to receive praise about its younger, fresher feel and ease of navigation. Website traffic remains very high with 10,000 to 50,000 unique visitors a month depending on the time of year. As an added bonus, several companies and individuals have approached us to be their nominated charity after an internet search drew them to our website and then a thorough review of its content.

We launched our new Facebook site at the end of 2012/13. This is enabling us to evolve a new approach to PR, reaching a much wider audience using social media channels. Whilst early days, we achieved over 1,200 followers in the first six months of the site being live and are now rolling out a new and exciting targeted marketing programme.

Meanwhile, our Enews which is now produced in house and distributed fortnightly, enables us to reach our target market and supporter base at minimal cost.

Summer saw two PR highlights. Firstly, the Trust was the chosen charity of the prestigious Poole Regatta which took place over the Queen's Diamond Jubilee weekend in June. With two Challengers taking part alongside the local yacht clubs, it was a good opportunity to raise the Trust's profile and to promote our work with young people.

Stavros was chosen to be part of the UK's Olympic torch bearing procession. On 18 July, and televised by the BBC at a peak viewing time, 48 young people proudly carried the torch into Dover harbour at the end of a voyage sponsored by Kent County Council.

Throughout the year we held several Regional Events to promote the Trust's work, re-energise our local supporters, donors and recruiters of young people and attract new ones. Regional Events were held in several ports including Liverpool, Greenock, Newcastle, Barry/Cardiff and Portsmouth.

The Trust's eighth Charity Yacht Regatta took place in November 2012, 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 100 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 2013 event will again take place in November.

Fundraising

The Trust raised £637K from individuals, trusts, organisations and legacies in 2012/13. Despite the very difficult fundraising environment, and excluding the exceptional donations in 2011/12 associated with the purchase and revaluation of the Challengers and the emergency cash appeal, this was a 6% increase on the previous year.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

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Fundraising (continued)

Approaching grant making trusts again proved successful in 2012/13. 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. Using our new young people initiatives as a platform, we were also able to engage with a number of new trusts and we thank them for deciding to give us their support for the first time in 2012/13. We were particularly grateful to be awarded a grant of £63K from the City Bridge Trust to fund a three year London based project to support 200 young people with special needs and £54K from Comic Relief for a two year project to help 80 young people not in employment, education or training to develop their knowledge and skills. We were also extremely grateful to receive a grant of £100K from the Foundation of Sport and the Arts to support our work.

Despite the difficult economic times and the media stories that individuals are giving less to charities, we continue to be surprised by the generosity of our supporters. The Trust is very fortunate to have hundreds of individuals who support its work. Some respond to cash appeals while others give a regular monthly donation/subscription or donate the proceeds from an event. Many give several donations a year using all of these routes.

We are very grateful to everyone who supported the Trust by giving a donation in 2012/13. Thank you.

During 2012/13 we had an excellent response to our cash appeal and other income came from supporters taking part in or supporting a variety of fundraising events. Activities have ranged from fun runs, cycle rides and river races to family fun days and sponsored slims. Other supporters have asked their family and friends to make a donation instead of a birthday present or in memory of someone special.

As an example, we received an exceptionally generous donation in 2011/12 from a Trust supporter in memory of one of his work colleagues, David Godwin, who had sadly died from cancer. He described David as “an outstanding leader, a generous mentor to his juniors, a wise counsellor to his peers, always interested in others and first to put himself last.” During 2012/13, our supporter encouraged another five of David’s friends to establish a David Godwin Bursary Fund so that more disadvantaged and disabled young people could join our voyages. We thank them all for their generosity.

As in previous years, legacies were another very welcome and valuable source of income in 2012/13. 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.

To support our expanding individual giving programmes, in 2012/13 we developed and launched a new fundraising section on our website. This has been very well received. The “fundraising ideas” page has proved particularly popular and has encouraged more people to get involved in raising funds for the Trust.

Building on our growing success with individual donations and to celebrate the wonderful achievement of the 100,000th trainee at sea, in 2012/13 we launched a new committed giving scheme – the Fellowship.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2013

Fundraising (continued)

The aim of the Fellowship is to bring together all of those whose lives have been touched by the Trust's 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. Once fully established, 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.

The Fellowship was launched through the media and on Stavros at the Southampton Boat Show in September by the Trust's Vice Patron David Tydeman. David, who is now Chief Executive of Oyster Yachts, sailed on Sir Winston Churchill when he was 16:--

"The lessons my voyage taught me were that teamwork is essential to achieve anything and that the more everyone puts into a task, the more they get out of it. It also changed my ideas about what I wanted to do for a career and after school I trained as a naval architect. I haven't looked back since and many years on I'm really grateful for the experience and the lessons I learnt which have stayed with me for life".

Since the launch, over 200 supporters and past sailors have signed up to the Fellowship or upgraded their monthly donations. This will generate another £25K a year to support the running costs of our fleet and bursaries for young people. We will be developing the Fellowship programme in 2013/14 and planning a number of events over the next few years to bring Fellowship members together.

A further celebration of our 100,000th trainee was held in February 2013 with a Black Tie Dinner on HMS Warrior, attended by over 210 supporters, with ten young volunteers acting as guides for the evening. Guest speaker Sir Chay Blyth CBE, BEM both enthralled and amazed guests as he described his many sailing experiences. Further entertainment was provided by magicians, conjurers, a brass band and sea shanty group, culminating in dancing in the aisles and the singing of Land of Hope and Glory and Rule Britannia.

We are very grateful to everyone who joined us for the evening, those who donated auction lots and raffle prizes and our three sponsors Centor Insurance and Risk Management Ltd, Northern Marine Management Ltd and Technology Services Group Ltd. The event was a resounding success, raising £30K (net of costs) and giving our supporters a wonderful evening.

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.

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REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2013

Financial Results for the Year Ended 28 February 2013

The results for the year show that outgoing resources exceeded incoming resources by (£682K), reducing to (£257K) net of non-cash and exceptional items.

This was in line with the expectations of the Business Plan and underlines the strategies we adopted in the plan to replace our 60m Brig with a smaller Tall Ship in order to support our expanding group business and develop our youth work.

The Business Plan is based on prudent assumptions and the Trust continues to monitor the plan as part of its risk management activities to ensure that it is on track.

The result was (£1,085K) worse than 2011/12 but in that year, exceptional income of (£1,009K) was received, specifically £890K related to the purchase of the Challengers and emergency cash appeal and a £119K revaluation of a fixed asset.

The underlying change year on year was therefore (£76K). This was mainly due to:-

- £37K day to day fundraising income – Up 6% on 2011/12
- £30K higher income from fundraising activities – Net income from Fellowship dinner to celebrate Trust's 100,000th trainee
- £35K more endowment income – Higher market gain in value of investments
- (£72K) lower fleet income – Increase in Challenger income year on year. Reduced Stavros income whilst out of service for dry docking and lucrative one-off contract in 2011/12 only
- (£83K) increased direct fleet costs – Underlying fleet costs held at previous year's level. Year on year increase due to £37K repairs associated with Stavros' two and a half year dry docking and £48K five year surveys for Challengers

In summary, the underlying financial performance during the year was solid with day to day fundraising income up 6% and the only increase in fleet operating costs being due to work associated with Stavros' two and a half year dry docking and the Challengers' five year surveys.

In connection with the implementation of the Business Plan, long term borrowing of £720K was received during 2012/13. The Trust is immensely grateful to the organisations and individuals who have supported the work of the Trust in this way.

Having bought the three remaining Challengers with a market value of £1.1M for just £328K in 2011/12 due to exceptionally large donations from two Vice Patrons and a very large legacy, the Trust's fleet now has a book value of £5.3M at 28 February 2013.

The Trust ended the year with £2,773K in its unrestricted funds and £2,116K in its restricted and endowment funds, so that total funds were £4,889K.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2013

Future Financial Prospects and Reserves Policy

The mixed fleet model – a Tall Ship and Ocean Going Yachts – is a good one for the Trust and one we want to retain as it offers 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, 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 our Business Plan sees us 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 raised the funds needed to implement this Business Plan including 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 2013/14 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 and 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.
- 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.
- Business Plan – There is a risk that the trading and other assumptions in the Business Plan change. If this happens, there is flexibility for an alternative plan to be developed. As part of its risk management activity, the Trust continues to monitor and assess that the plan is on track.
- 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.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2013

Risk Review (continued)

- 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 MNOFF, a multi-employer pension fund. 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 12.1% for the twelve month period to 28 February 2013, compared with a 13.5% rise in the benchmark, WM Charities Universe – Total Charities index.

Over the three year period to 28 February 2013, the portfolio gained 36.2% versus a 30.7% rise in the benchmark.

With unattractive pricing and negative real yields, 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 possible volatility in the coming 12 months.

An estimated gross annual income of £19,541 was being generated by the investments as at the 28 February 2013, equivalent to a gross yield of 3.2%.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 28 FEBRUARY 2013

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.

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 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.

Two Trustees, Tim Allen and David Tydeman, stood down in 2012/13 and became Vice Patrons. Two new Trustees, Christopher Tite and James Gordon, joined us.

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 28 FEBRUARY 2013

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
14 November 2013

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 28 February 2013 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 28 February 2013 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
15 November 2013

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 Business Plan is based on prudent assumptions and, as part of its risk management activity (see pages 14-15), the Trust continues to monitor and assess that the plan is on track. The projections of future cash flow show that the Trust remains in a position to deliver its 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 28 February 2013. 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.

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 28 FEBRUARY 2013

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2013 £	Total 2012 £
Incoming resources						
Incoming resources from generated funds						
Voluntary income	1	262,242	374,717	-	636,959	1,490,704
Activities for generating funds	2	60,816	-	-	60,816	28,200
Investment income		612	1,786	63,369	65,767	26,503
Incoming resources from charitable activities	3	<u>1,623,973</u>	<u>-</u>	<u>-</u>	<u>1,623,973</u>	<u>1,703,250</u>
Total incoming resources		<u>1,947,643</u>	<u>376,503</u>	<u>63,369</u>	<u>2,387,515</u>	<u>3,248,657</u>
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		219,526	-	-	219,526	236,151
Costs of activities for generating funds		26,544	-	-	26,544	14,334
Investment management costs		-	-	5,072	5,072	7,298
Charitable activities		2,228,791	496,331	-	2,725,122	2,652,972
Governance costs		36,806	-	-	36,806	35,168
Other costs		101,955	-	-	101,955	24,531
Total resources expended		<u>2,613,622</u>	<u>496,331</u>	<u>5,072</u>	<u>3,115,025</u>	<u>2,970,454</u>
Net incoming/(outgoing) resources before other recognised gains and losses		(665,979)	(119,828)	58,297	(727,510)	278,203
Other recognised gains and losses						
Transfers between funds		40,468	16,503	(56,971)	-	-
Gain on revaluation of fixed assets		-	-	-	-	119,008
Gains/(losses) on investment assets		-	-	45,596	45,596	5,584
Net incoming/(outgoing) resources for the year		(625,511)	(103,325)	46,922	(681,914)	402,795
Fund balances brought forward at 1 March 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>
Fund balances carried forward at 28 February 2013		<u><u>2,772,661</u></u>	<u><u>1,076,199</u></u>	<u><u>1,040,255</u></u>	<u><u>4,889,115</u></u>	<u><u>5,571,029</u></u>

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

All operations of the Trust and its subsidiaries are classed as continuing

TALL SHIPS YOUTH TRUST

CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 2013

	2013	2012
	£	£
Total income	2,324,146	3,224,094
Total expenditure	<u>(3,109,953)</u>	<u>(2,963,156)</u>
Net outgoings for the year before transfers	<u>(785,807)</u>	<u>260,938</u>

Total income comprises £1,947,643 (2012: £2,781,955) for unrestricted funds and £376,503 (2012: £442,139) 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 28 FEBRUARY 2013

	Note	Consolidated 2013 £	2012 £	Tall Ships Youth Trust 2013 £	2012 £
Fixed assets					
Tangible assets	10	5,301,018	5,562,074	5,301,018	5,562,074
Investments	11	-	-	160,409	160,409
		5,301,018	5,562,074	5,461,427	5,722,483
Current assets					
Stocks		1,869	5,715	250	250
Debtors	12	329,365	242,473	42,565	49,450
Investments	13	617,328	570,173	617,328	570,173
Cash at bank and in hand		233,421	69,560	157,622	24,683
		1,181,983	887,921	817,765	644,556
Creditors: amounts falling due within one year	14	(608,437)	(594,823)	(647,720)	(768,925)
Net current assets / (liabilities)		573,546	293,098	170,045	(124,369)
Total assets less current liabilities		5,874,564	5,855,172	5,631,472	5,598,114
Creditors: amounts falling due after more than one year	15	(985,449)	(284,143)	(720,000)	(4,728)
		4,889,115	5,571,029	4,911,472	5,593,386
Capital funds					
Endowment funds	16	1,040,255	993,333	1,040,255	993,333
Income funds					
Restricted funds	17	1,076,199	1,179,524	1,076,199	1,179,524
Revaluation reserve	18	109,997	115,947	109,997	115,947
Other unrestricted funds	18	2,662,664	3,282,225	2,685,021	3,304,582
		4,889,115	5,571,029	4,911,472	5,593,386

The financial statements were approved by the Trustees on 14 November 2013

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 28 FEBRUARY 2013

1 INCOMING RESOURCES FROM VOLUNTARY INCOME

	2013	2012
	£	£
Donations	563,070	1,090,735
Legacies	13,937	354,540
Membership	59,952	45,429
	<u>636,959</u>	<u>1,490,704</u>

2 INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING INCOME

	2013	2012
	£	£
Fundraising Events	<u>60,816</u>	<u>28,200</u>

3 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2013	2012
	£	£
Generated from Ship Operations	1,584,833	1,661,836
Grants (receivable from Association of Sea Training Organisations for Youth Work)	<u>39,140</u>	<u>41,414</u>
	<u>1,623,973</u>	<u>1,703,250</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2013

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:-

	2013 £	2012 £
Turnover	1,721,695	1,778,861
Operating costs	(1,908,166)	(1,867,345)
Other income – subvention receipt	186,476	88,449
Operating profit	5	(35)
Interest receivable	53	46
Interest payable and other charges	(58)	(11)
Net profit	-	-

The net assets and liabilities of the active subsidiary are:

	2013 £	2012 £
Current assets	410,483	468,950
Creditors: amounts falling due within one year	(145,034)	(189,535)
Creditors: amounts falling due after more than one year	(265,449)	(279,415)
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 £32,084 (2012: £33,650) in the year.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2013

6 ANALYSIS OF RESOURCES EXPENDED

	Direct costs £	Support costs £	Total 2013 £	Total 2012 £
Cost of generating funds				
Costs of generating voluntary income:				
Fundraising costs	<u>179,153</u>	<u>40,473</u>	<u>219,526</u>	<u>236,151</u>
Costs of activities for generating funds:				
Events costs	<u>26,317</u>	<u>227</u>	<u>26,544</u>	<u>14,334</u>
Investment management costs	<u>5,072</u>	<u>-</u>	<u>5,072</u>	<u>7,298</u>
Charitable activities				
Ship related costs	1,564,770	-	1,564,770	1,550,266
Depreciation	257,488	-	257,488	226,916
Bursaries and grants paid from restricted funds	496,331	-	496,331	466,088
Defined benefit pension scheme contribution	-	-	-	-
Other expenses	<u>290,569</u>	<u>115,964</u>	<u>406,533</u>	<u>409,702</u>
	<u>2,609,158</u>	<u>115,964</u>	<u>2,725,122</u>	<u>2,652,972</u>
Governance costs				
Staff costs	15,049	-	15,049	15,629
Auditors remuneration	17,981	-	17,981	16,460
Administrative expenses	<u>1,902</u>	<u>1,874</u>	<u>3,776</u>	<u>3,079</u>
	<u>34,932</u>	<u>1,874</u>	<u>36,806</u>	<u>35,168</u>
Other costs				
Interest payable and other charges	<u>101,955</u>	<u>-</u>	<u>101,955</u>	<u>24,531</u>
Total resources expended include:				
			2013	2012
			£	£
Auditors remuneration				
Audit services			14,500	14,500
Non-audit services			1,500	1,500
Expenses			<u>460</u>	<u>460</u>
			16,460	16,460
Depreciation			261,502	226,916
Operating lease rentals			<u>25,469</u>	<u>25,418</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2013

7 EMPLOYEES

Employee costs during the year were as follows:

	2013	2012
	£	£
Wages and salaries	442,952	434,861
Social security costs	46,931	46,694
Other pension costs	22,540	21,055
	<u>512,423</u>	<u>502,610</u>

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

	2013	2012
Management and administration	<u>13</u>	<u>13</u>

The emoluments of higher paid employees fell within the following ranges

	2013	2012
	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 not paid to Trustees during the year (2012: one Trustee was paid expenses totalling £291).

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 deficit of income over expenditure for the year includes £594,229 (2012: surplus of £402,795) that is dealt with in the financial statements of the charity. This is stated after the subvention payment of £186,476 (2012: £88,449) 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 28 FEBRUARY 2013

10 TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust	Brig £	Yachts £	Computers, Fixtures and Equipment £	Total £
Cost or valuation				
At 1 March 2012	5,715,496	1,713,793	155,298	7,584,587
Additions	-	-	446	446
Revaluation	-	-	-	-
At 28 February 2013	<u>5,715,496</u>	<u>1,713,793</u>	<u>155,744</u>	<u>7,585,033</u>
Depreciation				
At 1 March 2012	1,776,070	105,327	141,116	2,022,513
Provided in the year	156,412	101,076	4,014	261,502
Revaluation	-	-	-	-
At 28 February 2013	<u>1,932,482</u>	<u>206,403</u>	<u>145,130</u>	<u>2,282,015</u>
Net book amount at 28 February 2013	<u>3,783,014</u>	<u>1,507,390</u>	<u>10,614</u>	<u>5,301,018</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>

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

	£
Cost	1,343,793
Valuation	<u>370,000</u>
	<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	<u>99,889</u>
Net book amount at 28 February 2013	<u>190,111</u>
Net book amount at 29 February 2012	<u>209,444</u>

Included within the net book value of £5,301,018 is £9,324 (2012: £12,268) 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 £2,944 (2012: £2,454).

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2013

11 FIXED ASSET INVESTMENTS

	2013 £	2012 £
Investment in Subsidiary undertakings	<u>160,409</u>	<u>160,409</u>

At 28 February 2013 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	
	2013 £	2012 £	2013 £	2012 £
Trade debtors	17,488	5,208	-	-
Amounts owed by group undertakings	-	-	1,955	1,955
VAT	31,974	13,384	10,826	3,806
Unamortised dry docking costs	225,171	156,340	-	-
Other debtors	36,452	54,753	18,397	37,966
Prepayments	18,280	12,788	11,387	5,723
	<u>329,365</u>	<u>242,473</u>	<u>42,565</u>	<u>49,450</u>

13 CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2013 £	2012 £	2013 £	2012 £
Listed investments (in the UK)	611,119	561,404	611,119	561,404
Cash held as part of portfolio	2,543	5,333	2,543	5,333
Unlisted investments (in the UK)	3,666	3,436	3,666	3,436
	<u>617,328</u>	<u>570,173</u>	<u>617,328</u>	<u>570,173</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.

In the prior 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 28 FEBRUARY 2013

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2013	2012	2013	2012
	£	£	£	£
Bank loans and overdrafts	-	-	-	-
Loans from Trustees and funders	242,610	169,610	242,610	169,610
Payments received on account	161,155	255,227	88,117	137,156
Trade creditors	70,653	53,230	22,067	7,943
Amounts owed to group undertakings	-	-	184,317	363,637
Amounts due under finance leases	4,727	4,907	4,727	4,907
Social Security and other taxes	11,190	12,799	11,190	12,799
Other creditors and accruals	118,102	99,050	94,692	72,873
	608,437	594,823	647,720	768,925

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	
	2013	2012	2013	2012
	£	£	£	£
Amounts due under finance leases (due within 2 to 5 years)	-	4,728	-	4,728
Loans from Trustees and funders	720,000	-	720,000	-
Other creditors	265,449	279,415	-	-
	985,449	284,143	720,000	4,728

16 ENDOWMENT FUNDS

	Andrew Salvesen £	Michael Crocker £	Nova Scotia £	Lord Burnham £	Total £
At 1 March 2012	951,108	10,946	10,629	20,650	993,333
Incoming resources	17,164	323	322	589	18,398
Outgoing resources	(4,733)	(88)	(89)	(162)	(5,072)
Inter-fund interest receivable	44,971	-	-	-	44,971
Other inter-fund transfers	(56,971)	-	-	-	(56,971)
Net gains on investments	42,496	811	809	1,480	45,596
At 28 February 2013	994,035	11,992	11,671	22,557	1,040,255

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 28 FEBRUARY 2013

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 2012	64,333
Investment return - year to 28 February 2013	
Dividends	18,398
Inter-fund interest receivable	44,971
Gains and losses	45,596
Investment management costs	(5,072)
Unapplied total return before transfer to income	168,226
Unapplied total return applied	(56,971)
Unapplied total return at 28 February 2013	111,255
Original value of gifts	929,000
Permanent endowment including the unapplied total return	<u>1,040,255</u>

17 RESTRICTED FUNDS

	Specific Funds £	International Fund £	Total £
At 1 March 2012	1,001,049	178,475	1,179,524
Incoming resources (including inter-fund transfers)	391,220	1,786	393,006
Outgoing resources	(496,331)	-	(496,331)
At 28 February 2013	895,938	180,261	1,076,199

The Specific Funds are donations made to the Trust to be used for specified purposes. At 28 February 2013 there were 108 separate funds (2012: 113).

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 28 FEBRUARY 2013

18 UNRESTRICTED FUNDS

Consolidated	Revaluation reserve £	General reserve £	Total £
At 1 March 2012	115,947	3,282,225	3,398,172
Incoming resources (including inter-fund transfers)	-	1,988,111	1,988,111
Outgoing resources (including inter-fund transfers)	-	(2,613,622)	(2,613,622)
Transfer between reserves	(5,950)	5,950	-
	109,997	2,662,664	2,772,661
At 28 February 2013			
	109,997	2,685,021	2,795,018

Tall Ships Youth Trust	Revaluation reserve £	General reserve £	Total £
At 1 March 2012	115,947	3,304,582	3,420,529
Incoming resources (including inter-fund transfers)	-	325,756	325,756
Outgoing resources (including inter-fund transfers)	-	(764,792)	(764,792)
Transfer between reserves	(5,950)	5,950	-
Subvention payment to subsidiary undertaking	-	(186,475)	(186,475)
	109,997	2,685,021	2,795,018
At 28 February 2013			

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
Consolidated				
Tangible fixed assets	5,301,018	-	-	5,301,018
Current assets	(934,471)	1,076,199	1,040,255	1,181,983
Current liabilities	(608,437)	-	-	(608,437)
Creditors: due after more than one year	(985,449)	-	-	(985,449)
	2,772,661	1,076,199	1,040,255	4,889,115
Tall Ships Youth Trust				
Tangible fixed assets	5,301,018	-	-	5,301,018
Investments	160,409	-	-	160,409
Current assets	(1,298,689)	1,076,199	1,040,255	817,765
Current liabilities	(647,720)	-	-	(647,720)
Creditors: due after more than one year	(720,000)	-	-	(720,000)
	2,795,018	1,076,199	1,040,255	4,911,472

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2013

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 liability of £177,320 from the March 2009 actuarial valuation was fully provided for in the 2011 financial statements.

The aggregate liability at 28 February 2013, including accrued interest and net of repayment instalments paid was £277,300 (2012: £290,512).

A liability of £54,774 from the 2012 actuarial valuation was notified by the MNOFP Trustee in May 2013. 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.

21 CAPITAL COMMITMENTS

There were no capital commitments at 28 February 2013 or 29 February 2012. No amounts were authorised but not yet contracted for.

22 CONTINGENT LIABILITIES

There were no contingent liabilities at 28 February 2013 or at 29 February 2012.

23 LEASING COMMITMENTS

Operating lease payments amounting to £25,469 (2012: £25,418) are due within one year. The leases to which these amounts relate expire as follows:-

	2013		2012	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	-	1,490	-	-
Between two and five years	20,750	3,229	20,750	4,668
	<u>20,750</u>	<u>4,719</u>	<u>20,750</u>	<u>4,668</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2013

24 RELATED PARTY TRANSACTIONS

Purchase of assets

The Trust had previously entered into charter agreements with Mr M P Aiken, Prichard-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 the year ended 29 February 2012, £120,000 of the consideration payable for the Challengers remained as a loan to the trust. This loan bore interest of 3% and was repaid during the year.

Loans

In the prior year a loan facility was established by a syndicate of Trustees, secured by the Catamaran, against which the Trust drew down £45,110 (2012: £49,610). The loans bear interest at 5% per annum and are repayable 12 months from the date of draw down, or earlier if alternative funds become available to the Trust from other sources. Lenders may also renew their loans for a further year on the anniversary of the drawdown.

Two similar such syndicates have been established in the current year, secured by two of the Challenger yachts. These syndicates include Trustees and other related parties, in addition to members of the general public. These loans total £435,000 of which £40,000 is from Trustees and connected related parties. These loans bear interest at 5% per annum and are repayable 36 months from the date of draw down.

Tall Ships Youth Trust

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