



**TALL SHIPS
YOUTH TRUST**

**Financial Statements
18 Month Period Ended
28 August 2017**

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

TALL SHIPS YOUTH TRUST

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FOR THE PERIOD ENDED 28 AUGUST 2017**

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TALL SHIPS YOUTH TRUST

REFERENCE AND ADMINISTRATIVE DETAILS FOR THE PERIOD ENDED 28 AUGUST 2017

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

Charity Number	314229
Company Number	00567460
Principal Office	2A The Hard, Portsmouth, PO1 3PT
Patron	His Royal Highness The Duke of York KG KCVO
Vice-Patrons	Mr T P Allen Admiral of the Fleet the Lord Boyce KG GCB OBE DL Mr I A Carruthers Mr W D Cormie MA CA (passed away 24 April 2016) Mr D de Laszlo DL Mr D Darbyshire Mr M Dixon Mr M A C Drummond OBE DL JP (passed away 18 February 2017) Maj. Gen. J Gordon CBE (appointed 5 December 2016) Lord Grade CBE Lord Greenway Vice Admiral M Gretton CB CVO Mr J Hardie Mr M Jay CBE DL Mr M Le May Mr O Michaelson Mr R Morley Sir Michael Moore KBE LVO (appointed 5 December 2016) Mr S J Roberts Mr A C Salvesen DL Mr M Slade Mr B A Stewart Mr D Tydeman Mr I Ventham Mr T Vokos Mrs C Williams
Trustees	Mr M P Aiken MBE Mr M Broughton Mr P Coleman (resigned 30 June 2017) Mr R Evans Mrs W. Fitzsimmons (resigned 31 August 2017) Maj. Gen. J Gordon CBE (resigned 31 August 2017) Surg. Lt. Cdr. C Griffiths RN Mr S Hartigan Mr J Lennox Mr P McDanell Rear Admiral R Melly (appointed 30 June 2017) Sir M Moore KBE LVO (resigned 31 August 2016)

TALL SHIPS YOUTH TRUST

**REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE PERIOD ENDED 28 AUGUST 2017**

Chief Executive	Mrs C Law MA (Oxon) – retired 16 June 2017 Rear Admiral Richard Leaman CB OBE – appointed 25 May 2017
Company Secretary	Mr P Taylor
Auditors	Moore Stephens (South) LLP 9 St John's Place Newport Isle of Wight PO30 1LH
Solicitors	Blake Morgan LLP Harbour Court Compass Road North Harbour Portsmouth PO6 4ST
Investment Managers	Brewin Dolphin Investment Management PO Box No 8 7 Drumsheugh Gardens Edinburgh EH3 7QH
Bankers	Clydesdale Bank Plc Gatwick Business and Private Banking Centre 5 Peveril Court 6-8 London Road Crawley West Sussex RH10 8JE

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT FOR THE PERIOD ENDED 28 AUGUST 2017

Vision, Mission and Values

Trustees have updated the Trust's Strategy, and our new **Vision** is "a society where all young people have the opportunity to develop their full life potential".

To deliver this Vision, the Trust sees itself as part of a society that empowers young people. It does this using six ocean-going 'residential youth centres'. The Trust's current fleet is four 22m ocean going yachts, an 18m catamaran, and a 16m ketch, and we retain the aspiration to replace the Stavros S Niarchos (SSN) with a smaller, more cost-efficient tall ship.

Our revised **Mission** is to enable young people to fulfil their life potential through experiences at sea, and by breaking down the barriers they face in society.

However, we are a values-driven organisation, so how we do something is as important as what we do. Our underlying new **Values** are ADVENTURE, INCLUSION, and EXCELLENCE. These values say as much about us internally, as staff and volunteers, as they do about the experience that trainees and supporters will enjoy when they come into contact with us.

In reviewing the Trust's aims, objectives and planned activities, the Trustees have complied with the duty in section 4 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission.

Review of Activities

The Trust encountered a very challenging phase in its history over this reporting period and, whilst our activities for young people have continued unabated, the financial situation deteriorated markedly in June 2017, when the planned sale of the SSN to the Bangladesh Navy unexpectedly collapsed and we found ourselves with an immediate cash crisis. An intense period of activity followed, overseen by the trustees, when options to generate liquidity were developed and implemented by the executive. A turnaround plan was created - based upon the sale of the SSN by auction; support by the Trust's various lenders through a variety of forgiveness and deferral; and a short-term cash appeal. Given the significance of these activities, just at the time that the accounts to 28 February 2017 would have been finalised, the trustees, on advice, resolved to extend the financial period by 6 months to 28 August 2017. This report therefore covers an 18-month period ending 28 August 2017. Whilst the events surrounding the sale of SSN are not fully reflected in this report, as they occurred after the balance sheet date, a new Strategic Plan for the Trust has been developed and future plans drawn up accordingly. Further, the trustees resolved that the Trust should revert to a 28 February year end, and as a result, accounts for the period ended 28 February 2018 have been approved alongside these accounts.

60 Years of Achievement

We were founded in 1956 as the Sail Training Association. 10 years later, our first ship, the Winston Churchill was launched, followed by the Malcom Miller a year later. For the next two decades, the Schooners sailed round the world supporting over 40,000 young people.

Due to the success of the Schooners, two new brigs were commissioned and, at the turn of the millennium, we became the Tall Ships Youth Trust.

Since then, we have brought 4 BT Challenger yachts, a catamaran and a ketch into our inventory, and broadened our capability into supporting disabled young people too.

Having recently sold the two brigs, we are now turning towards the future and making plans to increase our sea-going capacity yet further in a more efficient manner.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

Charitable Outcomes

We are the UK's oldest and largest sail training charity, having sailed over two million nautical miles with over 110,000 trainees over the last 60 years. We are dedicated to enabling young people, aged 12 to 25, to fulfil their life potential through experiences at sea and by breaking down the barriers they face in society.

Our social impact is immense ¹

- Over 2,300 young people sailed with us last year
- 79% of these young people were disadvantaged or disabled
- 90% of them felt their voyage had increased their life chances
- 93% of them said they were able to manage their own feelings better
- 92% noted that they had improved their communication skills
- 91% experienced increased confidence and self-esteem
- 99% enjoyed the voyage and had fun!

Youth workers, employers and parents, teachers tell us ² the impact on the voyagers from their perspective is:-

- Better concentration and more attentive
- Increased ability to learn
- More willing to work hard and take on responsibility
- Better communication
- Increased employability

Notably, the Trust's employability project, in partnership with four other youth organizations across the UK, showed that voyages were the key catalyst for changes in young people's attitudes and skills with 95% of them going into employment, education or training.

According to the Government's own figures, there are some 800,000 young people in the UK today who are not in Education, Employment or Training (NEET). Our challenge then is not what we do, nor how we do it; it is about our *ambition*, and the *scale* of our activities.

Today, as in our formative years as The Sail Training Association, the development of young people is central to everything we do, and we are proud of our reputation amongst education and youth work professionals for delivering effective, good quality services to young people.

Ofsted Report 2016: *"Trust voyages enable pupils to develop their physical, social and emotional skills through working as part of a team while sailing the vessel."*

Whilst the Brig, Challengers, Catamaran and Ketch are very different settings for youth development, we operated them all to the same high standard, with the same policies and practices including rigorous screening of volunteers, Safeguarding Policy and Code of Conduct.

During the period we developed the scope and diversity of our work in a number of ways. We developed more partnerships with other youth organisations, particularly those working with disadvantaged and disabled young people. These included special needs groups, schools, youth offending teams, youth organisations representing NEETs, and those from the black and minority ethnic communities. By working with these third parties, voyages are an integral part of a longer-term development programme for each young person:

Martin, Teacher 2016: *"I strongly believe that the nature of these residentials helps our pupils to develop their character further and faster than the school can alone. Also, the intensity and inescapability of the experience makes it a more powerful tool than any other outward-bound type activities we've used."*

We also expanded our work with disadvantaged and disabled young people, so during the period they represented 79% of those we worked with, compared to 43% when we introduced the Challengers. Some of the young people we take to sea have learning difficulties, ADHD, motor co-ordination problems, visual and hearing impairments and social interaction problems.

¹ Source: young people feedback questionnaires 2016/17

² Source: Professionals' feedback questionnaires 2016/17

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

Adrian, SEN Teacher 2016: *“Our young people came back far more independent, with significantly improved daily living skills. They’re now able to get themselves ready for school and make their own drinks. They’ve developed an enthusiasm for trying new things and they’re venturing out into the community and interacting with people they’ve never met before. The voyage was the most incredible experience ever! It’s broadened their world and allowed them to enjoy life more.”*

This period saw the third year of the Harrow School Young Offenders Project. This brought together 12 young Harrovians and 12 local young offenders, using the Trust’s Challengers to provide a close communal residential setting in which the young people had to work effectively as a team. There were positive learning experiences for both sets of young people. The Trust plans to roll out the project to other public and private schools over the next few years.

Strategic Plan

The original business plan proposed replacing our remaining 60m Brig with a smaller Tall Ship to support our expanding group business and further reduce costs. The proceeds from the sale of the Brig were as far as possible, to be used to offset our existing debts, to purchase a new ship and re-establish a bursary fund for young people’s voyages. We are pleased to report that our original objective to improve the efficiency of the trust has now been achieved.

However, as stated above, since this report was first drafted we have encountered a number of challenges in delivering the plan. The sale of the SSN, some 3 years in negotiation, collapsed unexpectedly in June 2017. The loss of the anticipated deposit incurred a short-term cashflow crisis, and the loss of the expected full sale price has severely impacted both our ability to restructure or pay off our debts.

Consequently, the trustees and executive formed an emergency Development Plan. This involved a resolution to sell SSN at auction, and in October 2017 she was sold, albeit for a significantly cut down price. As part of this turnaround plan, an emergency cash appeal raised some £250k, and a number of lenders agreed to forgive, or defer their loans of circa £1.6m. As a consequence, the balance sheet is now more stable with assets of £1.7m and loan debts of £1m, the majority of which are held for the long term.

In addition, we have restructured our day to day fundraising. The initial focus was on targeting high net worth individuals and significant donor organisations to address our current financial challenges. But we are now seeking to build longer term sustainable fundraising, to include re-invigorating the volunteer force (and community fundraising), improving our digital offer, increasing individual giving, legacy marketing, corporate sponsorship and events income. The task is significant but not insurmountable.

Development of our Strategic Plan was completed in December 2017, and resulted in a new Mission, Vision and Values, with the aim of supporting 2,500 young people per annum by the year 2022. The plan further focusses on our mission to support disadvantaged and disabled young people, with sail training being the means to this end, not an end in itself. A critical constituent of this Plan involves launching a major Capital Appeal, promoted by a VIP and led by significant figureheads. Initial plans are to raise £5m to acquire a replacement but smaller tall ship, such as a schooner, to repay our debts, provide a stable cash reserve position and to re-establish a £1m bursary fund for young people.

Fleet Activity

Despite difficult economic conditions, various sales and marketing initiatives meant that income was up 5% year on year after adjusting for the Fastnet Race.

Safety and safeguarding remain paramount, and we will continue to maintain our vessels to the highest safety standards. Trustees receive a detailed safety report at each Council meeting.

In addition, the Trust has a reputation for good cost control. In the period, careful management of expenditure kept underlying fleet costs to the 2015/16 level with the only exception being the 5-year survey and associated work on one of the Challengers and remedial work on the Ketch’s bowsprit.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

The Brig – Stavros S Niarchos (SSN)

In March 2016, Stavros left its berth in Liverpool's Albert Dock, a non-tidal, safe berth to start an intensive programme of youth voyages and port events. Highlights during the year included youth voyages sponsored by the HSBC Community Programme (16th annual voyage), Northern Marine Management, Emmanuel Schools, Sunderland City Council (training for their 2019 Tall Ships Race young volunteers) and five schools in Tower Hamlets (project addressing various issues including poor academic achievement and low aspirations). Throughout the year, Stavros also took centre stage at the Trust's Diamond Jubilee celebrations in Glasgow, Newcastle, Cardiff, and Portsmouth. At the beginning of November Stavros returned to Liverpool's Albert Dock, kindly made available by Liverpool City Council and the Canal Trust. With the support of hundreds of Volunteers, our winter activities programme was very successful. It included "Open Ship" weekends for the public, open days for schools and youth groups, a detailed maintenance programme and volunteer crew training.

As we now know, the Brig ceased operating on 30 September 2017 and was sold to a Greek sailing company on 13 October 2017. The permanent crew were laid off, with dignity, shortly thereafter. She is now renamed 'Sunrise', and is sailing in the Mediterranean. The sale of the ship was seen by many as a tragedy, but she was unaffordable given the charity's (then) income, and could easily have taken the charity down if we had retained her. Our challenge in the years ahead is to find a suitable vessel to replace her and the sustainable income to operate it.

Challengers – Challenger 1,2,3,4

The period began with two Challengers undertaking their winter voyage schedules and maintenance in the UK, whilst the other two were in the Caribbean following the "ARC" Atlantic Rally for Cruisers. By April, all four were busy in the UK with many of the Trust's partner organisations taking a voyage for their young people. Other highlights included voyages sponsored by Girl Guides UK and the second Harrow School/Youth Offending Team voyage. Winter saw one Challenger working around the UK whilst in November the other three crossed the Atlantic with the ARC, one staying for a winter Caribbean programme, the others returning to the UK, with all the fleet back by March. In April the 2017 Fastnet Campaign commenced with a training weekend and first qualifier. Over and above usual Challenger fleet activity, there were further Fastnet qualifiers and a month long trip to Norway and back. All four Challengers were busy in July including the Harrow School/Youth Offending Team voyage this time engaging three of the fleet. The Fastnet Campaign concluded in August with all four crews enjoying mixed conditions.

Catamaran – Tall Ships Cat

The Catamaran was based in/around the Solent during the period. Highlights included introductory sail training weekends and voyages for disabled/special needs young people. In the spring 2 DofE Gold Expeditions were successfully run on board. May saw some annual maintenance and attendance to the Gosport Marine Festival. July and August were busy months with repeat group business.

Ketch – Tenacity of Bolton

The Ketch was gifted to the Trust in 2014/15 by Bolton School. The boat was moved from Whitehaven to Inverkip Scotland in 2016/17 as part of assessing the viability of basing a vessel in the north. Its programme proved popular and attracted new youth organisations from across northern England and Scotland. Highlights include annual Bolton School voyages including the Bolton School DofE Gold Expedition in July and repeat groups including two PRUs (Pupil Referral Units).

Management and Crew

The Trust outsourced ship management of the Brig to Northern Marine Management Ltd (NMM) because it was the most cost-effective way of providing 24/7 operational and safety management of the ship. Since the sale of the Brig, this partnership has been terminated. We thank the dedicated team of people at NMM who have provided us with tremendous support over the years.

The split of tasks/responsibilities between NMM and the Trust's operating company Tall Ships Ltd (TSL) was as follows:-

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

Sales and marketing priorities for 2018/19 include continuing to expand distribution channels particularly through social media and maximising the sales opportunities of high profile events. Work will also continue with our existing partner youth organisations and several new ones.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

Our aim for 2018/19 is to keep the fleet's operating costs as low as possible, consistent with maintaining the highest level of quality and safety. We will also continue our various cost management initiatives and introduce others as circumstances allow.

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 Academy

The Trust's training programme is endorsed by the Royal Yachting Association (RYA) and Maritime and Coastguard Agency (MCA). A world first, it gives young people a path from their first experience to volunteering on the Trust's vessels and, for those who wish it, a career at sea. 20% of young people are recommended to come back as Volunteer Crew and follow the training programme. The objectives of the 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" and 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. The 11 modules are assessed using a Training Record Log Book which tracks competencies, defined in detail in an Instruction Manual. The Academy programme is well established on the Brig.

Promoting the Trust

During the period, we continued our strategy of focussed PR which proved very successful in promoting the Trust's work, leading to coverage in national and regional newspapers, television and radio including a feature on BBC1's prime-time Inside Out programme.

Our fleet-based events were also successful, not least four "Open Ship" weekends in Liverpool which introduced 7,259 individuals to the Trust's work and several awareness raising events across the UK linked to our Diamond Jubilee to promote the Trust's work, to re-energise our local supporters, donors and recruiters of young people and to attract new ones. We also deployed one of the Challengers to the Southampton Boat Show in September with our "taster sailing experiences" proving very popular.

It has been recognised that our brand is tired and outdated, and the website both difficult to use, and behind the times technologically. Following the Trustees' Strategic Review in December 2017, a major pro-bono programme to refresh our brand and redevelop our website began in early 2018.

In 2016, the Trust was named British Marine's first ever Charity of the Year, a title won against fierce competition from other maritime charities. On announcing the award, British Marine's Mike Enser said "It has been difficult choosing between charities all doing good work. What makes the Tall Ships Youth Trust stand out is its networking with other youth organisations and its strong governance and management."

The Trust's twelfth Charity Yacht Regatta took place in November 2016, 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 "round the cans" Solent racing, finishing with a dinner dance raising a significant amount for young people's bursaries.

Finally, we were honoured to be chosen to provide young flag bearers for the National Seafarers' Service in St Paul's Cathedral in the presence of Princess Anne and representatives from all of the UK's maritime organisations and to have our Diamond Jubilee featured in the programme.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

Fundraising

The Trust raised £1,795k from individuals, trusts and organisations over the period.

This was an impressive achievement given the tough economic climate and reflects the Trust's excellent reputation and high level of support/endorsement from the 302 trusts/foundations and 1,311 individuals who made a donation to us over the period.

We are now raising nearly half a million pounds annually from trusts/foundations alone. Equally impressive is the fact that 70% of them have been donating to the Trust for several years. We are very grateful for their continued support as well as that of the many new trusts that decided to give us their support for the first time in this period.

Despite the difficult economic times and national reports that donations from individuals are declining, we continue to be encouraged by the generosity of our supporters, and individual giving was up over the period. Some of our donors respond to cash appeals, others give a regular monthly donation through the Fellowship or donate the proceeds from an event. Many simply find a resonance with our work and decide to support it.

Every year we are humbled by the generosity of people who have decided to leave us a donation in their will. In this period, we received legacies totalling £341k from seven estates.

The Tall Ships Youth Trust is a signed up member of the Fundraising Preference Service, and Trustees are satisfied that the charity's fundraising practices are compliant with both the current regulations and best practice. The trust is committed to ethical fundraising methods, and trustees regularly confirm this is the case.

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, and in this extended period they generously gave in excess of 130,000 hours of their time to support our mission.

Our Volunteers are an essential element in everything we do and their contribution can be seen in every section of this Report. The Trust has some 2,500 individuals volunteering and regularly supporting the Trust and we are very grateful to them all. Our challenge now is to grow the network and re-invigorate some of the branches that have closed down over the last few years.

Environmental Policy

The Trust continues in its efforts to reduce its carbon footprint and overall impact on the environment.

It is currently doing this through a number of initiatives:

- Reducing energy consumption on the Trust's vessels by minimising the use of engines and generators. This is achieved by, for example, organising voyage schedules to maximise the amount of sailing compared to motoring and careful management and monitoring of the "domestic" services on board to reduce the energy requirements for heating, cooling and lighting.
- Implementing a marine environmental policy which eliminates discharges into the sea of any materials other than biodegradable substances.
- Promoting a "switch it off" energy campaign amongst staff and volunteers.
- Recycling paper, cardboard, plastics, metal, mobile phones and printer cartridges.
Encouraging staff and volunteer conference calls to reduce business miles for meetings.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

Financial Results for the Period Ended 28 August 2017

The net movement in funds for the period was (£3,593k). This was after the write down of the Brig, pre-sale which accounted for (£2,744k) of the loss, and a write down of the dry-docking prepayment of (£363k).

The underlying loss in the period when accounting for the above reflected £486k, which accounted for the loss on the Brig programme and financing arising from the initial development plan.

The budgeted loss for the long period voyage programme before depreciation was (£165k) and hence actual voyage performance at (£455k) was behind the budget, which was accounted for by cancelled voyages, and lower occupancy figures. This and the higher running costs of the Brig contributed to the decision to sell the Brig at auction following the collapse of the sale negotiations.

The challenger fleet returned a surplus in the same period of £122k, with the CAT and Ketch, a further £18k.

The Charity also wrote down the value of the loan to Tall Ships Limited in its own accounts, and impaired the value of its investments in the subsidiaries, so this resulted in a deficit in the books of the charity alone of (£3,604k).

During the period the general fundraising was on target, and the initial development plan over the eighteen month period yielded income of £421k, and there were legacies received of £300k.

The Trust's fleet of yachts had a book value of £1,818k at 28 August 2017, with the Brig valued at proceeds at £350k. The Charity had outstanding loans secured against the yachts of £1,459k.

The trading subsidiary company Tall Ships Limited has arrears from the multi-employers pension scheme for some former employees, which is included in current liabilities (under the terms of the agreement) at a value of £341k – although a payment plan has been agreed with the pension fund to settle the balance over a period of years.

Closing reserves were stated at £128k.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

Going Concern

After making appropriate enquiries, the board of Trustees has a reasonable expectation that the Trust has adequate resources to continue to operate for the foreseeable future. For this reason the board of Trustees continues to adopt the going concern basis in preparing the accounts. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Future Financial Prospects and Reserves Policy

The mixed fleet model – a modest Tall Ship together with smaller ocean-going Yachts – is still a good one for the Trust and we aspire to regain it, 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. At the same time, like many other charities, cash remains tight, so we also want to improve our financial stability. We plan to achieve this through a combination of taut cost control and gradually increased fundraised income.

However, in order to expedite our transformation, and take us from where we are now to a position where we are debt free, have increased fleet capacity, and reserves from which to support the business, we need to launch a major capital appeal. This will commence in July 2018. The trustees' long-term objective is to build the Trust's reserves to protect our charitable mission, and the appeal forms part of our plan to do so.

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 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.
- Safeguarding has always been a high priority in the Trust and our track record remains enviable.
- Fundraising Income – The risk of not securing income in difficult economic times is being mitigated by approaching a broader range of potential donors.
- Liquidity - The Trust seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any surplus cash assets safely and profitably.
- Credit - The Trust's principal financial assets are 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, voyage fees are paid before departure.
- Pensions – The Trust's subsidiary, Tall Ships Limited ("TSL"), is a member of a multi-employer pension fund. TSL has agreed an acceptable re-payment plan for the post 2006 liability with the Trustees of the fund.

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. Until 2014/15, the Trust employed an investment manager to manage the funds on a discretionary basis with agreed objectives to generate both long-term growth and income from a diversified-risk portfolio. The fund was moved into cash during 2014/15 in order to support the existing Business Plan. The new Strategic Plan allows for the re-establishment of a bursary fund of £1m. The trustees will review the appropriateness of the investment policy at that time.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

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.

Working Groups are formed from time to time to consider specific, short-term issues. The trading operations of the Trust are devolved to its wholly owned subsidiary, Tall Ships Limited. As well as appointing Directors to the subsidiary company, the Council can establish other committees to deal with different aspects of the Trust's work as necessary.

At the request of the trustees, we are in the process of a review of our articles and governance policies and these will be finalised in the 2018/19 year.

After 18 years at the helm, Chief Executive Chris Law decided to retire and left the Trust in June 2017. During her time with the Trust Chris raised standards in youth work policy and practice. The number of young people benefitting doubled and the proportion who are disadvantaged and disabled trebled. She developed the Trust as a professionally run and cost - effective charity. At the same time, our Operations and Marketing Director Tim Law also retired. Tim had been with the Trust for much of the same period and shared in the significant achievements, developments and changes the Trust has undergone.

We are fortunate to have attracted Richard Leaman who moves from Chief Executive of Guide Dogs for the Blind to lead the Trust as it builds on this legacy. Richard comes to Tall Ships with an impeccable pedigree and highly successful track record. His leadership skills and professional experience - particularly in maritime matters and fundraising - will be tremendous assets as we move forward into the next phase of our development. Richard has hit the ground running, despite coming in at the very moment the brig sale fell through. He has reorganised and re-invigorated the management and staff team and we look forward to exciting times under his leadership.

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. This view is endorsed by many third parties.

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 attract and appoint 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.

The Trust has a wide-ranging induction programme for new Trustees which is also open to existing trustees to attend. The programme includes visits to the Trust's main operating bases (vessels), introduction to new youth initiatives, coverage of the charity's aims and how they are being fulfilled, the role and duties of the trustees, company and charity law and governance, and financial and risk management. Further ongoing training is arranged for Trustees individually or the Board as a whole as needed.

Two Trustees, Wendy Fitzsimmons and Peter Coleman stood down in the period. We are immensely grateful for their long and distinguished service to Tall Ships, and to the Young people we support. Another two Trustees, James Gordon and Michael Moore stood down but kindly agreed to become Vice Patrons.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

We welcomed Rear Admiral Dick Melly to the trustee board in June 2017. Dick comes with a wealth of highly relevant experience from the Royal Navy and his time as the CEO at the Worshipful Company of Goldsmiths.

Sadly, in April 2016, Bill Cormie passed away after a period of illness. Bill had been a very active member of the Trustee Board for over 10 years. His love for the Trust and its achievements with young people was obvious and was matched by the love and affection we all had for Bill and the significant work he undertook for us. He is sadly missed.

In addition, two of our longest standing supporters, Maldwin Drummond and Mike Ford, passed away recently. We are so grateful for their significant involvement with the Trust and have sent our heartfelt condolences to their families.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

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 period. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted 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

Moore Stephens (South) LLP, having been appointed to fill a casual vacancy in 2016, have expressed their willingness to continue in office, and a resolution for their reappointment for the next financial year will be put to the Annual General Meeting.

ON BEHALF OF THE TRUSTEES



Jock Lennox
Chairman of the Council

Dated: 4 May 2018

TALL SHIPS YOUTH TRUST

REPORT OF THE INDEPENDENT AUDITOR FOR THE PERIOD ENDED 28 AUGUST 2017

Opinion

We have audited the financial statements of Tall Ships Youth Trust (the 'charitable company') for the period ended 28 August 2017 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheet, the Group Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charitable company's affairs as at 28 August 2017 and of its incoming resources and application of resources, including its income and expenditure, for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report, including the incorporated Strategic Report for the financial year for which the accounts are prepared, is consistent with the financial statements; and
- the Trustees' Report, including the incorporated Strategic Report, have been prepared in accordance with applicable legal requirements.

TALL SHIPS YOUTH TRUST

REPORT OF THE INDEPENDENT AUDITOR (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report, including the incorporated Strategic Report.

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:

- adequate accounting records have not been kept by the parent charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities Statement set out on page 13, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

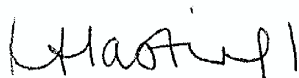
In preparing the financial statements, the trustees are responsible for assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mrs Louise Hastings
Senior Statutory Auditor
for and on behalf of Moore Stephens (South) LLP
Statutory Auditor, Chartered Accountants

Dated: 4 May 2018

9 St Johns Place
Newport
Isle of Wight
PO30 1LH

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TALL SHIPS YOUTH TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE PERIOD ENDED 28 AUGUST 2017

	<u>Note</u>	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds Period ended 28/8/2017 £	Total Funds Year ended 29/2/2016 Re-stated £
Income and Endowments from:						
Donations and legacies	2	1,417,187	377,670	-	1,794,857	875,744
Other trading activities:	3	21,086	-	-	21,086	69,971
Investments		128	1,857	-	1,985	4,107
Charitable activities	4	<u>2,494,436</u>	<u>-</u>	<u>-</u>	<u>2,494,436</u>	<u>1,572,534</u>
Total income		<u>3,932,837</u>	<u>379,527</u>	<u>-</u>	<u>4,312,364</u>	<u>2,522,356</u>
Expenditure on:						
Raising funds	7	331,467	-	-	331,467	202,952
Other trading activities	7	14,020	-	-	14,020	31,482
Charitable activities	7	<u>4,197,422</u>	<u>618,646</u>	<u>-</u>	<u>4,816,068</u>	<u>2,765,096</u>
Total expenditure		<u>4,542,909</u>	<u>618,646</u>	<u>-</u>	<u>5,161,555</u>	<u>2,999,530</u>
Gains/(losses) on revaluation of fixed assets and impairment losses	12	<u>(2,744,418)</u>	<u>-</u>	<u>-</u>	<u>(2,744,418)</u>	<u>642,184</u>
Net expenditure in the period/year		<u>(3,354,490)</u>	<u>(239,119)</u>	<u>-</u>	<u>(3,593,609)</u>	<u>165,010</u>
Transfer between funds		763,487	-	(763,487)	-	-
Reconciliation of funds						
Fund balances brought forward at 1 March 2016		<u>1,884,761</u>	<u>1,022,496</u>	<u>814,619</u>	<u>3,721,876</u>	<u>3,556,866</u>
Fund balances carried forward At 28 August 2017		<u>(706,242)</u>	<u>783,377</u>	<u>51,132</u>	<u>128,267</u>	<u>3,721,876</u>

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

All operations of the Trust and its subsidiaries are continuing.

TALL SHIPS YOUTH TRUST

**CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD ENDED 28 AUGUST 2017**

	Total Funds Period ended 28 August 2017 £	Total Funds Year ended 28 February 2016 £
Income		
Income	4,310,379	2,518,249
Interest and investment income	<u>1,985</u>	<u>4,107</u>
Total income	<u>4,312,364</u>	<u>2,522,356</u>
Expenditure		
Expenditure	4,719,783	2,734,734
Depreciation	<u>441,772</u>	<u>264,796</u>
Total expenditure	(5,161,555)	(2,999,530)
Gain/(loss) on revaluation	<u>(2,744,418)</u>	<u>642,184</u>
Net expenditure for the period/year	(3,593,609) =====	165,010 =====

The consolidated summary Income and Expenditure account is derived from the Consolidated Statement of Financial Activities on page 17 and excludes all income and expenditure on the endowment funds. The Consolidated Statement of Financial Activities together with the notes on pages 26 to 37 provides full information on the movements during the period on all the funds of the Charity.

TALL SHIPS YOUTH TRUST

BALANCE SHEET

AS AT 28 AUGUST 2017

	<u>Note</u>	Consolidated Funds 28 August 2017 £	Funds 28 February 2016 £	Tall Ships Youth Trust Funds 28 August 2017 £	Funds 28 February 2016 £
Fixed assets					
Tangible assets	14	1,829,351	5,315,720	1,829,351	5,315,720
Investments	15	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,409</u>
		<u>1,829,351</u>	<u>5,315,720</u>	<u>1,829,351</u>	<u>5,476,129</u>
Current assets					
Stocks		12,636	9,080	250	250
Debtors	16	112,946	530,870	73,589	463,318
Investments	17	4,605	4,383	4,605	4,383
Cash at bank and in hand		<u>103,350</u>	<u>146,066</u>	<u>95,482</u>	<u>120,023</u>
		<u>233,537</u>	<u>690,399</u>	<u>173,926</u>	<u>587,974</u>
Assets held for sale	18	350,000	-	350,000	-
Creditors: amounts falling due within one year	19	<u>(1,090,869)</u>	<u>(1,054,494)</u>	<u>(982,248)</u>	<u>(1,072,722)</u>
Net current assets/(liabilities)		<u>(507,332)</u>	<u>(364,095)</u>	<u>(458,322)</u>	<u>(484,748)</u>
Total assets less current liabilities		1,322,019	4,951,625	1,371,029	4,991,381
Creditors: amounts falling due after more than one year	20	<u>(1,193,752)</u>	<u>(1,229,749)</u>	<u>(887,708)</u>	<u>(903,611)</u>
		<u>128,267</u>	<u>3,721,876</u>	<u>483,321</u>	<u>4,087,770</u>
		<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Capital funds					
Endowment funds	21	51,132	814,619	51,132	814,619
Income funds					
Restricted funds	22	783,377	1,022,496	783,377	1,022,496
Revaluation reserve	23	660,875	734,330	660,875	734,330
Other unrestricted funds	23	<u>(1,367,117)</u>	<u>1,150,431</u>	<u>(1,012,063)</u>	<u>1,516,325</u>
		<u>128,267</u>	<u>3,721,876</u>	<u>483,321</u>	<u>4,087,770</u>
		<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The financial statements were approved by the Trustees on: 4 May 2018

Jock Lennox

Jock Lennox
Chairman of the Council

Charity Number: 314229 Company Number: 00567460
The accompanying accounting policies and notes form an integral part of these financial statements.

TALL SHIPS YOUTH TRUST
STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 28 AUGUST 2017

	<u>Note</u>	Group 2017 Period ended 28 August £	Group 2016 Year ended 29 February £
Cashflow from operating activities			
Net cashflow from operations	28	(285,895)	(154,490)
Total cashflow from operating activities		<u>(285,895)</u>	<u>(154,490)</u>
Cashflow from investing activities			
Interest received		1,985	4,107
Payments to acquire fixed assets		(49,821)	(35,832)
Proceeds from the sale of investments		<u>-</u>	<u>8,258</u>
Total cashflow on Investing activities		<u>(47,836)</u>	<u>(23,467)</u>
Cash from financing activities			
Repayments of borrowing		(143,985)	(123,830)
Cash inflows from new borrowing		<u>435,000</u>	<u>-</u>
Interest paid		<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities		<u>291,015</u>	<u>(123,830)</u>
Net (decrease) in cash and cash equivalents		(42,716)	(301,787)
Cash and cash equivalents at 1 March 2016		<u>146,066</u>	<u>447,853</u>
Cash and cash equivalents at 28 August 2017		103,350 =====	146,066 =====
Cash and cash equivalents consist of:			
Cash at bank and in hand		<u>103,350</u>	<u>146,066</u>
Cash and cash equivalent at 28 August 2017		103,350 =====	146,066 =====

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES FOR THE PERIOD ENDED 28 AUGUST 2017

ACCOUNTING POLICIES

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the period.

General Information and Basis of Accounting

Tall Ships Youth Trust is a company limited by guarantee, registered in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office, together with the objects of the Charity are given in the charity information on page 1 of these financial statements.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom (FRS 102), the Charities Act 2011, Companies Act 2006, and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. These financial statements for the period ended 28 August 2017 are the first financial statements of Tall Ships Youth Trust prepared in accordance with FRS 102. The date of transition to FRS 102 was 1 March 2015. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

The charity extended the accounting period to 28 August, following the collapse of the sale of the Brig, to provide time to consider the financial effects, and hence the accounts are for the 18 month period to 28 August 2017, and comparative information for the year to 29 February 2016. Therefore they are not entirely comparable.

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest £1.

Going Concern

In October 2017, the group sold the brig, Stavros S Niarcos, at auction for substantially less than its carrying value in the accounts, the revaluation loss for which has been recognised in these accounts. As a result, the financial results and liquidity of the trust were severely impacted and the Trustees have been working hard to rectify the situation. At 31 August 2017, the unrestricted funds of the charity were in deficit by £351k (see note 23) and the charity had net current liabilities of £458k. During the six-month period to February 2018, substantial progress has been made and with the generosity of their supporters, a number of whom have converted loans previously made to the Trust into donations, this deficit has reduced to £16k (see note 23, 2018 accounts) and net current liabilities have reduced to £334k. The unrestricted funds of the group remain in deficit by £706k, reducing to £362k in February 2018, due to operational losses built up over a number of years for the operation of the Brig. The Trustees of Tall Ships Youth Trust have implemented a strategy to reduce the Trust's operating costs over the long term, which included the sale of the Brig and are forecasting to return to operational profit in the year ending 28 February 2019.

The trustees have reviewed the cash position and forward cashflow and are satisfied that, in terms of both current and future prospects, the Trust can meet its liabilities as they fall due. The Trustees have concluded therefore that the group has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the group's ability to continue as a going concern. Thus they continue to adopt the going concern basis in the accounts.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

Basis of Consolidation

The group financial statements consolidate those of the charity and of its subsidiary undertakings (see note 15) drawn up on 28 August 2017. 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.

A separate Statement of Financial Activities, and income and expenditure account, for the charity itself are not presented because the charity has taken advantage of the exemptions afforded by the Companies Act 2006.

FUND ACCOUNTING

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity, and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity. Expendable Endowments permit the Charity to spend the capital sum on suitable capital projects with the permission of the donor. Income arising on the endowment funds can be used in accordance with the objects of the charity and is transferred to the general funds. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the relevant fund. The purpose and use of each expendable endowment fund is set out in the notes to the financial statements.

INCOME RECOGNITION POLICIES

Donations and Gifts

All monetary donations and gifts, including any associated Gift Aid, 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 and gifts in kind are valued and included in income to the extent that it represents goods or services which would otherwise be purchased at value to the Charity. 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.

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 period in which the voyage commences.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

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

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required, and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds includes details of the costs in relation to fundraising events, following up donations, and seeking voluntary contributions and donations from supporters, and available sources;
- Expenditure on charitable activities includes the costs of the charity's work with young people, sailing trips and other residential activities including all planning activities, maintenance of the Charity's assets, preparation and follow up; and
- Other expenditure represents those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

Allocation of Support Costs

Support costs are those that assist the work of the charity, but do not directly represent charitable activities and include office costs, governance costs, administrative and payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include project management carried out at the Charity's main base in Portsmouth. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Premises and other overheads have been allocated on a basis relating to use and the proportion of staff time incurred on those matters.

The analysis of these costs is included in note 8.

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	5-20 years
Computers and Office Equipment	5 years
Display and Exhibition Equipment	3 years

Foreign currencies

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES (CONT) FOR THE PERIOD ENDED 28 AUGUST 2017

INVESTMENTS

Assets held for investment purposes are included at market value.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Provision is made for damaged, obsolete and slow moving stock where appropriate.

DEBTORS

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

CREDITORS

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

RETIREMENT BENEFITS

Defined Contribution Scheme

The pension costs charged in the period represent the amount of the contributions payable to an auto-enrolment employee pension scheme for the period. The contributions are met from the employers and employees contributions and the assets are held externally to the company.

Defined Benefit Scheme

Some former employees of the Trust's active subsidiary, Tall Ships Limited, were members of 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. The company is liable for a share in the deficits on the scheme, and so this is accounted for within creditors.

LEASED ASSETS

Operating lease agreements

Rentals payable and receivable under operating leases are charged to the SOFA on a straight line basis over the period of the lease.

TAXATION

No corporation tax has been provided in these accounts because the income of the charity is within the exemption granted by HM Revenue & Customs to the extent that these funds are applied to Charitable objects.

FINANCIAL ASSETS AND LIABILITIES

The Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

TALL SHIPS YOUTH TRUST

**PRINCIPAL ACCOUNTING POLICIES (CONT)
FOR THE PERIOD ENDED 28 AUGUST 2017**

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the charitable company's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 AUGUST 2017

1. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

	<u>Note</u>	As Restated Unrestricted Funds 2016 £	Restricted Funds 2016 £	Endowment Funds 2016 £	As Restated Total 2016 £
Income and Endowments from:					
Donations and legacies	2	222,774	652,970	-	875,744
Other trading activities:	3	69,971	-	-	69,971
Investments		2,151	1,839	117	4,107
Charitable activities	4	<u>1,572,534</u>	<u>-</u>	<u>-</u>	<u>1,572,534</u>
Total income		1,867,430	654,809	117	2,522,356
Expenditure on:					
	7	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Raising funds		202,952	-	-	202,952
Other trading activities		31,482	-	-	31,482
Charitable activities		<u>2,412,183</u>	<u>352,913</u>	<u>-</u>	<u>2,765,096</u>
Total expenditure		2,646,617	352,913	-	2,999,530
Net income (expenditure)		(779,187)	301,896	117	(477,174)
Transfers between funds		117	-	(117)	-
Gains/(losses) on revaluation of fixed assets		<u>642,184</u>	<u>-</u>	<u>-</u>	<u>642,184</u>
Net movement in funds		(136,886)	301,896	-	165,010
Fund balances brought forward at 1 March 2015		<u>2,021,647</u>	<u>720,600</u>	<u>814,619</u>	<u>3,556,866</u>
Fund balances carried forward At 29 February 2016		<u>1,884,761</u>	<u>1,022,496</u>	<u>814,619</u>	<u>3,721,876</u>

2. INCOME FROM DONATIONS AND LEGACIES

	Unrestricted	Restricted	Period to 28/8/2017 £	Year to 29/2/2016 £
Donations	977,174	377,670	1,354,844	600,750
Legacies	341,328	-	341,328	214,900
Membership	<u>98,685</u>	<u>-</u>	<u>98,685</u>	<u>60,094</u>
	<u>1,417,187</u>	<u>377,670</u>	<u>1,794,857</u>	<u>875,744</u>

3. INCOME FROM OTHER TRADING ACTIVITIES

	Unrestricted	Restricted	Period to 28/8/2017 £	Year to 29/2/2016 £
Fundraising events	<u>21,086</u>	<u>-</u>	<u>21,086</u>	<u>69,971</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 AUGUST 2017

4. INCOME FROM CHARITABLE ACTIVITIES

	Period to 28/8/2017 £	Year to 29/2/2016 £
Generated from Ship Operations	2,431,889	1,530,358
Grants (receivable from Associations of Sea Training Organisations for Youth Work)	<u>62,547</u>	<u>42,176</u>
	<u>2,494,436</u>	<u>1,572,534</u>
	=====	=====

5. NET INCOME FROM ACTIVITIES OF SUBSIDIARIES

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

	Period to 28/8/2017 £	Year to 29/2/2016 £
		As restated
Turnover	2,513,341	1,611,712
Operating costs	<u>(3,122,913)</u>	<u>(1,842,626)</u>
Operating loss	(609,572)	(230,914)
Other income	-----	-----
Net loss	<u>(609,572)</u>	<u>(230,914)</u>
	=====	=====

The net assets and liabilities of the active subsidiary are:

	Period to 28/8/2017 £	Year to 29/2/2016 £
		As restated
Current assets	59,612	444,842
Creditors: amounts falling due within one year	(1,012,723)	(462,243)
Creditors: amounts falling due after more than one year	<u>-----</u>	<u>(326,138)</u>
Total net liabilities	<u>(953,111)</u>	<u>(343,539)</u>
Aggregate of share capital and reserves	<u>(953,111)</u>	<u>(343,539)</u>
	=====	=====

6. BRANCHES

The financial results of the branches of Tall Ships Youth Trust are consolidated into these accounts on the basis of returns as at the period end submitted by each branch. Branches raised £19,086 (2016: £24,292) in the period to 28 August 2017, which is classified as unrestricted income in the accounts.

TALL SHIPS YOUTH TRUST

**NOTES TO THE ACCOUNTS (cont)
FOR THE PERIOD ENDED 28 AUGUST 2017**

7. ANALYSIS OF EXPENDITURE

	Direct costs	Support costs	Total Period to 28/8/2017	Total Year to 29/2/2016 As restated £
	£	£	£	£
Cost of raising funds:				
Fundraising costs	244,900	82,728	327,628	200,567
Allocation of governance costs (see below)	<u>-</u>	<u>3,839</u>	<u>3,839</u>	<u>2,385</u>
	244,900	86,567	331,467	202,952
Costs of other trading activities				
Charitable activities	13,555	465	14,020	31,482
	=====	===	=====	=====
Charitable activities				
Ship related costs	2,703,050	-	2,703,050	1,469,899
Depreciation on yachts	434,210	-	434,210	258,301
Bursaries and grants paid from restricted funds	822,730	-	822,730	471,672
Allocation of governance costs (see below)	-	47,184	47,184	31,691
Interest payable and similar finance charges	38,985	-	38,985	121,134
Other voyage and support expenses	<u>613,427</u>	<u>156,482</u>	<u>769,909</u>	<u>412,399</u>
	4,612,402	203,666	4,816,068	2,765,096
	=====	=====	=====	=====

8. SUPPORT AND GOVERNANCE COSTS

	£		Fundraising £	Charitable Activities £	Trading Activities £	Governance £
Payroll and HR	30,992	Total resources	22,039	7,807	124	1,022
Property costs	30,504	Total resources	21,692	7,684	122	1,006
Office costs	21,586	Total resources	15,350	5,438	86	712
IT and Website	21,439	Total resources	15,245	5,400	86	708
Marketing	127,177	Direct activities	-	127,177	-	-
Other	<u>11,816</u>	Total resources	<u>8,402</u>	<u>2,976</u>	<u>47</u>	<u>391</u>
	243,514		82,728	156,482	465	3,839
	=====		=====	=====	===	=====

Governance costs (included above)

Staff costs	-	15,811	15,811	15,648
Auditors remuneration	-	29,650	29,650	15,000
Administrative expenses	<u>3,839</u>	<u>1,723</u>	<u>5,562</u>	<u>3,428</u>
	3,839	47,184	51,023	34,076
	=====	=====	=====	=====

9. OTHER COSTS

	Period to 28/8/2017 £	Year to 29/2/2016 £
The deficit is stated after charging:		
Auditors remuneration		
Audit services	24,000	14,250
Non-audit services	<u>5,650</u>	<u>750</u>
	29,650	15,000
Depreciation	441,772	258,301
Operating lease rentals	<u>38,048</u>	<u>38,048</u>
	=====	=====

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 AUGUST 2017

10. EMPLOYEES

Employee costs during the period / year were as follows:

	Period to 28/8/2017 £	Year to 29/2/2016 £
Wages and salaries	679,300	458,628
Social security costs	66,008	41,343
Other pension costs	<u>32,520</u>	<u>24,288</u>
	777,828	524,259
	=====	=====

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

	Period to 28/8/2017 £	Year to 29/2/2016 £
Management and administration	12	13
	==	==

The Charity paid remuneration to senior management personnel of £337,560 for the 18 month period to 28/8/2017 (year to 29/2/2016 - £216,784). Senior management personnel comprises the Chief Executive Officer, Operations Director, and Finance Director. The emoluments of higher paid employees fell within the following ranges:

	Period to 28/8/2017 Number	Year to 29/2/2016 Number
£60,001 to £70,000	2	1
£80,001 to £90,000	2	1
£90,001 to £100,000	1	-
	==	==

11. PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

No Trustee received remuneration in the period, directly or indirectly, from either the charity or an institution or company controlled by the charity.

There were no expense reimbursements for travel and subsistence paid to Trustees during the period (2016: £nil).

12. IMPAIRMENTS OF ASSETS AND REVALUATIONS

	Consolidated Period to 28/8/2017 £	Consolidated Year to 29/2/2016 £	Tall Ships Youth Trust Period to 28/8/2017 £	Tall Ships Youth Trust Year to 29/2/2016 £
Gains/(losses) on assets were reflected in the period/year as follows:				
Impairment in value of Brig sold	(2,744,418)	-	(2,744,418)	-
Revaluation of challenger yachts	-	642,184	-	642,184
Provision against loans to Subsidiary companies	-	-	(600,012)	-
Write down of loans due to subsidiary companies	-	-	140,007	-
Impairment of value of investments in subsidiaries	<u>-</u>	<u>-</u>	<u>(160,409)</u>	<u>-</u>
	(2,744,418)	642,184	(3,364,832)	642,184
	=====	=====	=====	=====

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 AUGUST 2017

13. SURPLUS/(DEFICIT) OF EXPENDITURE OVER INCOME

The consolidated Statement of Financial Activities includes the results of the Charity's wholly owned subsidiary – tall Ships Limited, which operates voyages. Details of the results of the trading subsidiary are set out in note 5. The summary financial performance of the Charity alone was:

		Period to 28/8/2017	Year to 29/2/2016
		£	£
Income			
Income from donations and legacies		1,775,955	836,566
Other trading activities		21,086	69,971
Investment income		<u>1,985</u>	<u>4,107</u>
Total income		1,799,026	910,644
Expenditure			
Raising funds		(331,467)	(202,952)
Other trading activities		(14,020)	(31,482)
Charitable activities		<u>(1,693,156)</u>	<u>(922,470)</u>
Total expenditure		(2,038,643)	(1,156,904)
(Losses)/gains on impairments of assets	12	<u>(3,364,832)</u>	<u>642,184</u>
Net (expenditure)/income for the year		(3,604,449)	395,924
Total funds brought forward		<u>4,087,770</u>	<u>3,691,846</u>
Total funds carried forward		483,321	4,087,770
		=====	=====

14. TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust

	Brig £	Yachts £	Computers, Fixtures & Equipment £	Total £
Cost or valuation:				
At 1 March 2016	5,715,496	2,085,709	175,358	7,976,563
Additions	-	46,290	3,531	49,821
Transfer	<u>(5,715,496)</u>	-	-	<u>(5,715,496)</u>
At 28 August 2017	-	2,131,999	178,889	2,310,888
	==	=====	=====	=====
Depreciation:				
At 1 March 2016	2,399,277	101,212	160,354	2,660,843
Provided in the period	221,801	212,409	7,562	441,772
Impairment	2,744,418	-	-	2,744,418
Transfer	<u>(5,365,496)</u>	-	-	<u>(5,365,496)</u>
At 28 August 2017	-	313,621	167,916	481,537
	==	=====	=====	=====
Net book amount at 28 August 2017	-	1,818,378	10,973	1,829,351
	==	=====	=====	=====
Net book amount at 29 February 2016	3,316,219	1,984,497	15,004	5,315,720
	=====	=====	=====	=====

The Brig and Yachts are given as security against a number of loans included in creditors. The net book value of yachts given as security was £1,419,812 (2016 - £5,300,716).

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 AUGUST 2017

14. FIXED ASSETS (continued)

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

	£
Cost	1,370,807
Valuation – independently valued in 2016	<u>761,192</u>
	2,131,999
	=====

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

	Yachts
	£
Cost	1,370,807
Accumulated depreciation	<u>(801,531)</u>
Net book amount at 28 August 2017	569,276
	=====

15. FIXED ASSET INVESTMENTS

	Tall Ships Youth Trust	
	28/8/2017	29/2/2016
	£	£
Investment in subsidiary undertakings		
At 1 March 2016	160,409	160,409
Impairment in the period/year	<u>(160,409)</u>	—
	-	160,409
	==	=====

At 28 August 2017, the charity held the whole of the issued share capital of its active subsidiary – Tall Ships Limited (Company number 02844027) engaged in the operation of tall ships. The company shares the same registered office address. Details of the result for the subsidiary and net assets can be seen in note 5.

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. Results from all of these subsidiary undertakings have been included in these consolidated financial statements.

The value of the investment in the Group subsidiaries were impaired and written off in the period by the parent charity.

16. DEBTORS

	Consolidated		Tall Ships Youth Trust	
	28/8/2017	29/2/2016	28/8/2017	29/2/2016
	£	£	£	£
Amounts owed by group undertakings	-	-	-	340,116
VAT	18,594	15,258	5,456	2,933
Unamortised dry docking costs	-	362,875	-	-
Other debtors	67,609	65,798	56,223	63,205
Prepayments	<u>26,743</u>	<u>86,939</u>	<u>11,910</u>	<u>57,064</u>
	112,946	530,870	73,589	463,318
	=====	=====	=====	=====

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 AUGUST 2017

17. CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	28/8/2017	29/2/2016	28/8/2017	29/2/2016
	£	£	£	£
UK investments - COIF Funds	<u>4,605</u>	<u>4,383</u>	<u>4,605</u>	<u>4,383</u>
	4,605	4,383	4,605	4,383
	=====	=====	=====	=====

Unlisted investments have been invested in COIF units held in the name of a supporters branch, and are at market value.

18. ASSETS HELD FOR RESALE

	Consolidated		Tall Ships Youth Trust	
	28/8/2017	29/2/2016	28/8/2017	29/2/2016
	£	£	£	£
Value of Brig for sale	350,000	-	350,000	-
	=====	==	=====	==

As a result of the auction sale of Stavros S Niarchos, the charity's Brig, in October 2017, the accounts reflect the impairment of the value of £2,744,418 which is disclosed on the Statement of Financial Activities, and the asset is reflected as a current asset for sale.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	28/8/2017	29/2/2016	28/8/2017	29/2/2016
	£	£	£	£
Loans from Trustees and funders	571,950	462,577	571,950	462,577
Payments received on account	251,515	302,707	251,515	303,097
Trade creditors	81,334	70,635	26,139	1,885
Amounts owed to group undertakings	-	-	-	140,007
Taxation and social security	14,580	11,798	14,580	11,798
Deferred income	19,083	17,674	19,083	17,674
Other creditors and accruals	<u>152,407</u>	<u>189,103</u>	<u>98,981</u>	<u>135,684</u>
	1,090,869	1,054,494	982,248	1,072,722
	=====	=====	=====	=====

Loans from Trustees and funders are secured by fixed charges over the Trust's vessels (see note 14).

Deferred income relates to the proportion of membership income relating to the future period.

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 AUGUST 2017

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated As restated		Tall Ships Youth Trust	
	28/8/2017 £	29/2/2016 £	28/8/2017 £	29/2/2016 £
Loans from Trustees and funders	887,708	903,611	887,708	903,611
Other creditors	<u>306,044</u>	<u>326,138</u>	-	-
	1,193,752	1,229,749	887,708	903,611
	=====	=====	=====	=====

Loans from Trustees and funders are secured by fixed charges over the Trust's vessels (see note 14). Other creditors represents the pension deficits owed by Tall Ships Limited (see note 25).

21. ENDOWMENT FUNDS

	Andrew Salvesen £	Michael Crocker £	Nova Scotia £	Lord Burnham £	Total £
At 1 March 2016	763,487	13,277	12,952	24,903	814,619
Incoming resources	-	-	-	-	-
Transfers to unrestricted funds	<u>(763,487)</u>	-	-	-	<u>(763,487)</u>
At 28 August 2017	-	13,277	12,952	24,903	51,132
	==	=====	=====	=====	=====

The Andrew Salvesen fund was established in November 1999 with a donation from the Andrew Salvesen Charitable Trust (ASCT). With the permission of the donor, this has been transferred to general funds, to assist the Trust's activities.

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.

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 AUGUST 2017

22. RESTRICTED FUNDS

	Balance at 1/3/2016 £	Income £	Expenditure £	Transfers £	Balance at 28/8/2017 £
International fund	185,723	1,857	-	-	187,580
Other specific funds	<u>836,773</u>	<u>377,670</u>	<u>(618,646)</u>	<u>-</u>	<u>595,797</u>
	1,022,496	379,527	(618,646)	-	783,377
	=====	=====	=====	===	=====

The specific funds are donations made to the Trust to support specified voyages and other specific purposes. At 28 August 2017 there were 209 separate funds (2016: 189).

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

A review of the remaining specific funds is underway.

23. UNRESTRICTED FUNDS

Consolidated	Designated funds £	Revaluation reserve £	General reserve £	Total £
At 1 March 2016				
As previously reported	-	734,330	732,060	1,466,390
Prior year adjustment	<u>506,659</u>	<u>-</u>	<u>(88,288)</u>	<u>(418,371)</u>
As restated	506,659	734,330	643,772	1,884,761
Incoming resources	364,121	-	3,568,716	3,932,837
Outgoing resources	(204,084)	-	(4,338,825)	(4,542,909)
Impairment of Brig	-	-	(2,744,418)	(2,744,418)
Transfer between funds	<u>-</u>	<u>(73,455)</u>	<u>836,942</u>	<u>763,487</u>
At 28 August 2017	<u>666,696</u>	<u>660,875</u>	<u>(2,033,813)</u>	<u>(706,242)</u>
	=====	=====	=====	=====
Tall Ships Youth Trust				
At 1 March 2016	506,659	734,330	1,009,666	2,250,655
Incoming resources	364,121	-	1,074,281	1,438,402
Outgoing resources	(204,084)	-	(1,234,816)	(1,438,900)
Impairment of Brig and Charitable assets	-	-	(3,364,832)	(3,364,832)
Transfer between funds	<u>-</u>	<u>(73,455)</u>	<u>836,942</u>	<u>763,487</u>
At 28 August 2017	<u>666,696</u>	<u>660,875</u>	<u>(1,678,759)</u>	<u>(351,188)</u>
	=====	=====	=====	=====

The prior year adjustment in the general reserve relates to a change in policy to include the interest element of the pension arrears which remains a liability of the Charity's trading subsidiary Tall Ships Limited and details are included in note 25.

A prior year adjustment was also made following a review of fund accounting, which identified a number of unrestricted funds that had been previously considered to be restricted.

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 AUGUST 2017

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
Period to 28 August 2017				
Consolidated				
Tangible fixed assets	1,470,631	-	-	1,470,631
Current assets	(242,252)	783,377	51,132	592,257
Assets held for sale	350,000	-	-	350,000
Current liabilities	(1,090,869)	-	-	(1,090,869)
Creditors: due after more than one year	<u>(1,193,752)</u>	<u>-</u>	<u>-</u>	<u>(1,193,752)</u>
At 28 August 2017	(706,242)	783,377	51,132	128,267
	=====	=====	=====	=====
Tall Ships Youth Trust				
Tangible fixed assets	1,829,351	-	-	1,829,351
Investments	-	-	-	-
Current assets	(660,583)	783,377	51,132	173,926
Assets held for sale	350,000	-	-	350,000
Current liabilities	(982,248)	-	-	(982,248)
Creditors: due after more than one year	<u>(887,708)</u>	<u>-</u>	<u>-</u>	<u>(887,708)</u>
At 28 August 2017	(351,188)	783,377	51,132	483,321
	=====	=====	=====	=====
Figures for the comparative period				
Consolidated				
Tangible fixed assets	3,933,924	618,309	763,487	5,315,720
Current assets	(235,080)	404,187	51,132	690,399
Current liabilities	(1,380,632)	-	-	(1,380,632)
Creditors: due after more than one year	<u>(903,611)</u>	<u>-</u>	<u>-</u>	<u>(903,611)</u>
At 29 February 2016	(1,884,761)	1,022,496	814,619	3,721,876
	=====	=====	=====	=====
Tall Ships Youth Trust				
Tangible fixed assets	3,933,924	618,309	763,487	5,315,720
Investments	160,409	-	-	160,409
Current assets	132,655	404,187	51,132	587,974
Current liabilities	(1,072,722)	-	-	(1,072,722)
Creditors: due after more than one year	<u>(903,611)</u>	<u>-</u>	<u>-</u>	<u>(903,611)</u>
At 29 February 2016	2,250,655	1,022,496	814,619	4,087,770
	=====	=====	=====	=====

25. PENSIONS

Defined contribution scheme

The group makes contributions towards an auto-enrolment pension scheme 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 period are disclosed in note 10.

Defined benefit scheme

A number of former employees of the Trust's subsidiary Tall Ships Limited ("TSL") have belonged to an industry wide pension scheme. The Trustees of the scheme have advised TSL that part of the scheme is in deficit and it is apportioning the deficit between participating employers. Interest is accruing on the residual of the 2009 and 2012 pension scheme deficits and a payment plan is in operation. The liability at the period end was £340,440 (2016 - £357,063).

TALL SHIPS YOUTH TRUST

**NOTES TO THE ACCOUNTS (cont)
FOR THE PERIOD ENDED 28 AUGUST 2017**

26. LEASING COMMITMENTS

At the reporting date, the Trust had the following minimum future lease commitments:

	28/8/2017		29/2/2016	
	Land & Buildings £	Other £	Land & buildings £	Other £
Within one year	28,879	10,648	6,650	10,648
Between two and five years	100,000	17,356	7,204	33,327
In over five years	<u>112,500</u>	-	-	-
	241,379	28,004	13,854	43,975
	=====	=====	=====	=====

27. RELATED PARTY TRANSACTIONS

Loans

Included within the figures in notes 19 and 20 is £427,500 (2016: £267,500) from Trustees and related parties.

Name	Period Ended 28/8/2017 £	Year to 29/2/2016 £
M Aiken	300,000	150,000
J Lennox	80,000	70,000
P McDanell	25,000	25,000
R Evans	12,500	12,500
S Hartigan	10,000	10,000
	<u>427,500</u>	<u>267,500</u>
	=====	=====

During the period S Hartigan made a donation of £25,000 to the Charity.

28. CASHFLOW STATEMENT

Reconciliation of income to net cashflow from operations:

	Period to 28/8/2017 £	As revised Year to 29/2/2016 £
Net income resources	(3,593,609)	165,010
Revaluation gain	2,744,418	(642,184)
Depreciation charges	441,772	264,796
Amortisation of dry docking costs	362,875	63,423
Investment income	(1,985)	(4,107)
Change in value of investments	(222)	
(Increase)/decrease in stocks	(3,556)	3,406
(Increase)/decrease in debtors	55,049	(11,270)
Increase/(decrease) in creditors	<u>(290,637)</u>	<u>6,436</u>
Net cash outflow from operations	(285,895)	(154,490)
	=====	=====

TALL SHIPS YOUTH TRUST

**NOTES TO THE ACCOUNTS (cont)
FOR THE PERIOD ENDED 28 AUGUST 2017**

29. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Group balances	28/8/2017	As restated 29/2/2016
	£	£
Financial assets at amortised cost	107,955	50,449
Financial liabilities at amortised cost	<u>(1,999,443)</u>	<u>(1,952,064)</u>
Net financial liabilities	(1,891,488)	(1,801,615)
	=====	=====

The Charity's financial assets comprise investments and cash and bank balances. Financial liabilities include trade creditors, loans, accruals and other creditors.

30. EVENTS AFTER THE REPORTING PERIOD

As a result of the sale of the Charity's Brig Stavros S Niarchos on 13 October 2017, these accounts reflect the impairment of value of the asset which is disclosed in note 18.

Tall Ships Youth Trust

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