



**TALL SHIPS
YOUTH TRUST**

**Financial Statements
6 Month Period Ended
28 February 2018**

**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 FEBRUARY 2018**

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TALL SHIPS YOUTH TRUST

REFERENCE AND ADMINISTRATIVE DETAILS FOR THE PERIOD ENDED 28 FEBRUARY 2018

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 D de Laszlo DL Mr D Darbyshire Mr M Dixon Maj. Gen. J Gordon CBE 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 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 Rear Admiral R Melly Mr R Evans Surg. Lt. Cdr. C Griffiths RN Mr S Hartigan Mr J Lennox, Chairman Mr P McDanell |

TALL SHIPS YOUTH TRUST

**REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE PERIOD ENDED 28 FEBRUARY 2018**

Chief Executive Rear Admiral Richard Leaman-Grey CB OBE

Company Secretary Mr P Taylor

Auditors Moore Stephens (South) LLP
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Solicitors Blake Morgan LLP
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TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2018

Chairman's Introduction

We have concluded a very challenging phase in our 60-year history, and we can now turn our attention to the future, and to start to fulfil our ambitions to reach even more young people in the years ahead.

Austerity, societal divisions and exclusion continue to take their toll on young people in the UK, and we envisage the need for our transformational work continuing to increase. Government estimates alone indicate there are some 800,000 young people not in Education, Employment or Training - let alone those who are socially excluded, from deprived backgrounds, or who are in the criminal justice system - so the task is immense.

Our future plan envisages our capability to empower young people growing again, and the critical need to raise funds sustainably to do this, but also recognises that we cannot do this alone, so has a significant collaborative element within.

I place on record my sincere thanks to our trustees, staff, volunteers and supporters for their herculean efforts over the last 18 months. With similar energy and dedication, we will grow again next year and reach yet more young people who need our support.

Jock Lennox
Chair of Trustees
Tall Ships Youth Trust

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2018

Vision, Mission and Values

The trustees developed a new strategy in December 2017, and the charity's Mission, Vision and Values were updated and articulated in the document entitled 'Sailing Beyond Expectations'.

Our **Vision** is a society where all young people have the opportunity to develop their full life potential.

Our **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.

Our **Values** are:

- **Inclusion** Diversity of our beneficiaries, staff, volunteers and donors is of vital importance to us, and we want everybody who touches the charity to feel included, respected and valued.
- **Adventure** Sailing, working and volunteering for Tall Ships should be an adventure; we thirst for challenge, excitement, innovation, and new learning. We challenge the status quo.
- **Excellence** In everything we do, we seek to be the 'best of the best'; youth development, sea safety and safeguarding, connecting with our supporters and voyagers, collaborating with our partners and ensuring the compliance of our fundraising practices.

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.

History

The Tall Ships Youth Trust, formerly known as The Sail Training Association when it operated the Malcolm Miller and Sir Winston Churchill, 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 117,000 trainees have sailed 2 million nautical miles on our fleet of vessels. The Trust has built a reputation for delivering outstanding results with young people, some of whom have had an extremely challenging start to their lives.

Review of Activities

The reporting period covers the 6 months following the unexpected failed sale of the Brig Stavros S Niarchos (SSN) to the Bangladesh Navy in June 2017, and the emergency fundraising activity that followed. The trustees took an early decision, in June, to stop operating the SSN on 30 September 2017, and put her up for auction, closing on the same date. In order to re-align the charity's accounting year following the last extended (18-month) period, this report covers the six months from 29 August 2017 to 28 February 2018.

Our transformational work with a wide variety of young people and adults has continued throughout the period, but clearly our capacity markedly declined once we lost the SSN's 48 berths. Elsewhere in the charity, an enormous amount of work has been undertaken to stabilise our finances, articulate our strategy, improve our fundraising capability, re-engage our supporters, re-connect with our sector partners, and refresh our brand and website. We are now in a strong position to grow again, and we expect to be launching a capital appeal later in 2018 to raise funds for a smaller, more cost-effective, replacement Tall Ship.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

Our **Purpose** is to increase young people's life chances and well-being by supporting them to develop their independent living skills, build self-esteem and aspirations, embrace a healthier more active lifestyle, and get involved in volunteering. We do this using 6 ocean-going 'residential youth centres'. Following the successful sale of the SSN in October 2017, the Trust's current fleet is four 22m ocean going yachts, an 18m catamaran, and a 16m ketch. The development of young people - particularly those who are disabled, or from a disadvantaged background - 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 2015: *"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 Challengers, Catamaran and Ketch are very different settings for youth development, we operate them all to the same high standard, with the same policies and practices including rigorous screening of volunteers, Safeguarding Policies, and Codes of Conduct.

We continued to work with very diverse groups of people during the period. These included special needs groups, schools, youth offenders, youth organisations representing young people not in employment, education or training (NEET) and those from the black and minority ethnic communities. The voyages form an integral part of a longer-term development programme for each young person:

Martin, Teacher (Tower Hamlets) 2016: *"The reality of living and learning in an inner city environment is that for the vast majority young people, your horizons are limited. The tall ships experience is unique because all young people are on a level starting point. This is incredibly empowering for all students, especially those who may be overwhelmed by academic education. The necessity of working, living and communicating together is that the development of social skills is accelerated. Time out of their comfort zone gives the young people time to think for themselves and to seriously consider the direction of their lives. Traditional education can be very restrictive but the tall ships residential gives young people the time and space to consider their ambition and to discuss new and creative possibilities with crew and mentors. The programme also has an aspirational effect on the year groups below - in my opinion this is one of the hardest things to achieve in education."*

Disadvantaged and disabled young people now represent 83% of those we work with, compared to 43% when we first 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

Linda, Mother & Youth Worker (Special Educational Needs) 2017: *"Tall Ships has changed Santo so much, Since his first voyage he has grown in maturity, confidence and self-esteem. He has learnt that although he is Autistic and has lots of other labels, that actually they won't stop him achieving, he just has to work a little harder. He used to dream of being a racing driver or working with computers when he is older. Now he lives and breathes for the next voyage and eager to learn how to one day skipper his own boat! His dream now is to sail around the world!"*

Santo had an awful start in life and for the first 5yrs had a dismal present and future, until he was removed and taken into care, we were then blessed to have him and his sister come to us. We have and always will give Santo and his sister the loving family they deserve but the Tall Ships experiences, the crews and skippers and even the ladies in the office have all taken part in given my son the social family he has never had! For that I am hugely grateful."

Over the six month period, we took 316 Young People to sea, of which 83% were either disadvantaged or disabled.

We are very meticulous about measuring the impact of our voyages. Post-voyage evaluations¹ from the young people indicate:

- 95% improved team working skills
- 91% improved communication skills
- 89% increased confidence and self-esteem
- 88% improved problem-solving skills
- 88% improved chances in life

¹ Source: young people feedback questionnaires 2017/18

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

- 87% improved leadership skills
- 93% managing their own feelings better
- 99% enjoyed the voyage and 95% made new friends

Youth workers, employers, parents, teachers tell us² 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

Business Plan

The SSN was sold at auction on 5 October 2017, for £340k (net), and we currently have outstanding loans of £1.0m, with a fleet professionally valued at £1.7m. Our normalised operating cashflow with the residual 6 ships is broadly positive, and we are now in a position to look forward with confidence.

According to the Government's own statistics, there are 800,000 young people in the UK who are not in Education, Employment or Training (NEET). If the number of young people with disability, involved in crime, and from disadvantaged backgrounds are included, the demand for our work is immense. Our primary responsibility therefore is to ensure our work continues, and if possible, to grow our capacity.

The strategic plan therefore envisages continued downward pressure on costs, improved fundraising capability and, over time, fleet expansion to grow the number of young people we support.

As a consequence, we are now building our sustainable fundraising, re-invigorating our volunteer force, improving our digital offer, increasing individual giving, legacy marketing, corporate sponsorship, and events income. At the same time, we are preparing to launch a capital appeal for a smaller more cost-effective Tall Ship, something akin to the schooners we started with over 60 years ago.

In order to take us from where we are now, to a situation where we are debt-free, have a new smaller Tall Ship, and a bursary fund for young people's voyages, we need to launch a capital appeal for £5m. This appeal will be launched by a VVIP in the summer, and the appeal board is now virtually formed.

An important part of our work going forward is the development of new partnerships. Early work is underway with partners in the sail training community, and we have begun negotiations with other youth development charities who wish to work with us on longer-term projects to mentor young people, beyond a simple one-off experience. We are also developing relationships with new commercial entities who can see value in our work and wish to be associated with, and sponsor, what we do. We know we cannot do this alone, and our Mission statement recognises this.

Fleet Activity

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

In addition, the Trust has a reputation for good cost control. Careful management of expenditure has kept underlying fleet costs broadly in line with the previous period, with the only exception being the 5-year survey and associated work on Challengers 3 & 4.

The Brig – Stavros S Niarchos (SSN)

The SSN was sold to a Greek Sailing company on 13th October 2017, and the crew laid off, with dignity, shortly thereafter. She is now renamed 'Sunrise', and is sailing in the Mediterranean. Our challenge in the years ahead is to find a suitable vessel to replace her, and the sustainable income to operate it.

² Source: Professionals' feedback questionnaires 2017/18

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

Challengers – Challenger 1,2,3,4

The Trust was represented at the Southampton Boat Show with a Challenger running short voyages which proved popular. Two Challengers were prepared for their Atlantic crossings in October before departing for the Canaries at the end of the month. Both crossed the Atlantic as part of the ARC (Atlantic Rally for Cruisers) on time despite some challenges. One returned immediately in the new year while the other delivered a near sell-out Caribbean programme.

Catamaran – Tall Ships Cat

A quiet period for the Catamaran over the winter ending with a month of maintenance in January. She is now ready for the new season.

Ketch – Tenacity of Bolton

The Ketch returned to Portsmouth from Inverkip in September. She started the Trust's 2018 programme with a successful youth voyage over the New Year period. January and February saw her annual maintenance period successfully completed readying her for the season.

Northern Marine Management (NMM)

Our relationship with NMM was terminated on 5 November 2017, shortly after the SSN was sold. Our remaining fleet is managed in-house.

Future Programmes

Sales and marketing priorities for 2018/19 include securing and growing our group business across the fleet. Having published our individual programme earlier and for a longer period alongside more innovative voyages, Aided by a social media strategy, we are seeing strong forward selling. An early decision on locating a Challenger in the Canaries for the winter period, as well as a Caribbean schedule, should see increased income over the winter period.

As ever, we are grateful to our Salaried Crew, Volunteer Crew and Head Office teams for their sterling 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 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 and to maintain the Trust's principle for "best practice"

The programme formalises the existing on-board training for our Volunteer Crew - working with young people, vessel familiarisation, safety and safeguarding training – and adds to it the syllabus of the RYA Watch Leader Certificate. A review will take place of the current Academy training programme in light of the fleet restructure, to ensure that it is reflecting our new Mission & Values.

Duke of Edinburgh's Award

Our Youth Development Manager is now qualified to assess young people for their Duke of Edinburgh's Award Expedition and has completed 3 to date. The groups pay for the assessment service, and it is a valuable addition to our offering.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

Promoting the Trust

During the period, we have focussed on a major overhaul of the charity's brand and website.

Following the development of the 'Sailing Beyond Expectations Strategy, and its associated Mission, Vision and Values, we have worked with Vizeum UK, pro-bono, to understand our target audiences, messages and brand essence. This resulted in a creative brief, for a company called Orb who, at time of writing, are close to concluding their work. Once this is complete, we will be working with 'Raising IT' (with a grant from the Transform Foundation) to completely overhaul our website – the look and feel, the utility and the integration with our in-house IT systems. The aim is for our communications, collateral and website to be ready in all respects for the Capital Appeal launch in the summer of 2018.

Our social media activity and engagement continues to grow. We've seen our strongest growth in Twitter with followers growing by a monthly average increase of 10% and impressions increasing by 112.7% in February in comparison with the same period as last year. Our Facebook followers have increased by 15% over the past 12 months and our content is proving to be more engaging with actions increasing by 86% in February and March compared to the same period last year.

For the period between 1 September 2017 and 1 February 2018, engagement on site has improved when compared with the closest similar period for which the data is available (1 October 2016 to 1 February 2017). This is evidenced by a 14% increase in pages viewed per session and 4% increase time spent on site per session, as well as an 8% decrease in individuals immediately leaving the site upon arrival. This suggests that our online content continues to progress and is of real interest to those finding us online. It is especially strong when benchmarked against other organisations of similar size in the industry.

On the downside, the number of individuals visiting the site per month has fallen comparatively. This is almost certainly due to the sale of Stavros and should recover once our offering has broadened once again.

Looking ahead, our online presence should improve dramatically with the impending launch of our new website built on an established charity-focused platform. With it will come a revamping of all online content, aiming to align it with the new brand, making everything digital friendly and improving effectiveness even further. Historically, we have been very successful in encouraging voyage bookings, and the latest changes should a step change in online donations and fundraising.

Our conventional media activity in the period has been in part reactive (to the sale of the Stavros), but our routine work has continued including our e-news programme to over 11,000 subscribers and a combination of planned and ad hoc printed and digital promotions.

Promotional activities planned for 2018/19 include a new communications strategy to help achieve our strategic aims, engage with stakeholders and build trust amongst supporters. With the help of a new fresh and exciting brand, our exposure through the Daily Express and other media, we hope to markedly raise awareness of the Trust. We will run several high profile events including a high level donor Capital Appeal Launch, alumni events to reengage those who have been involved with the Trust before, and our 14th annual fundraising regatta. Additionally, we are planning on sending a Challenger around the UK on a youth promotional tour.

Fundraising

The Trust raised £767k from 844 individuals, and 63 trusts/foundations over the period.

We are particularly grateful to a number of generous individuals and supportive institutions without whose help in the Autumn we would not be here today. Our duty now is to repay their generosity, and confidence in us, by growing the charity again, and reaching yet more Young People in the years ahead.

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 2017/18.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

The Halkes family made a generous donation in memory of Hugo who was just 12 when he was killed crossing the road. This enabled us to launch the “Hugo Halkes Voyage” in 2015/16 for disadvantaged young people from Wiltshire where Hugo lived. The family is keen to develop this initiative into a bi-annual event, and have supported two voyages a year for the last 2 years.

We are also very grateful to the Dunhill family who decided to donate a substantial part of their father’s legacy in his memory to the Trust. This will provide bursaries for 300 disadvantaged and disabled young people over the next 25 years as well as help with the upkeep of the Trust’s fleet. Following the inaugural voyage in 2015/16, an annual “Eddie Dunhill Voyage” has now been established. At the end of each voyage the family meet the young people who have benefitted and give one of Eddie’s sailing trophies to the young person who is deemed by the crew to have improved most during the voyage.

The trust has hired a fundraising officer to help boost our regular income and, over the period, a significant amount of work has gone into understanding our donors, experimenting with different types of appeal, and improving our digital fundraising capability. We are also working up plans to improve our corporate sponsorship options, and to commence a legacy marketing. We hope also to improve our local community fundraising income, markedly, by reinvigorating the volunteer branch network, which had been allowed to decay over time.

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 hundreds 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 over the period they generously gave 18,700 hours of their time to support our mission.

Our volunteers are an essential element of our future, and we are determined to recognise this. We have worked hard over the period to re-connect with a large number of volunteers who had become disillusioned with the Trust and stopped supporting us. Two ‘reboot’ meetings have taken place (Portsmouth and Liverpool) and the previous ossified branch network is now being rebuilt, almost from scratch. We have some way to go before we have a fully functioning national network again, but with the help of a volunteer ‘Volunteer Co-ordinator’, Debbie Morshead, we are on the right path.

We recognise that volunteers need more support to do their work. We are giving fundraising advice, improved collateral, and more authority to go to local grant-giving bodies than hitherto. We have updated the standard operating procedures, and worked hard to ensure that volunteering for Tall Ships is easy, and fun. Our future depends on the goodwill, innovation and hard work of our volunteer force, and we trust in them to continue to believe in us, and the life-changing work we do.

Environmental Policy

The Trust continues in its efforts to reduce its carbon footprint and overall impact on the environment. The IMO are currently discussing extending the Paris Climate Agreement to the maritime community and we will monitor developments with interest.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

Financial Results for the Period Ended 28 February 2018

The net movement in funds for this short six-month period was a surplus of £166k. This reflected a period post the sale of the Brig, and as a result of the emergency Development Plan, donations were received totalling £767k, including loan waivers from supporters.

There was a breakeven position on the winter programme of voyages, and without the loss on the operating costs of the brig, this is encouraging for the future.

In this period loans were reduced by £421k, of which £195k were repaid, and £226k were waived.

The Trust's fleet had a book value of £1.74m at 28 February 2018. The Charity had outstanding loans secured against the yachts of £938k.

The trading subsidiary company Tall Ships Limited has arrears from the multi-employers pension scheme for some former employees at a value of £327k – a payment plan has been agreed with the pension fund to settle the balance over a period of years.

Closing reserves were stated at £295k.

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 charity has fought its way through a very challenging period over the last 9 months, and we are now financially stable, with a sound base from which to grow again. The value of our fixed assets exceed our loans by some £700k, and our normalised cashflow is broadly positive. With continued pressure to keep costs under control, and a steadily increasing sustainable income base, we are confident of the charity's future.

In the medium term, we are aiming to grow our regular fundraised income by £100k year on year, and over time to write down our existing loans. If the £5m capital appeal this year is successful, then we will be able to write off all our debts, re-establish a bursary fund for Young People, and buy a smaller, more cost-effective, Tall Ship. The capital appeal fundraising board that has come together is very strong, high profile, and determined. It is our belief therefore that this is target is entirely achievable.

The Trustees' long-term objective is to build the Trust's reserves to protect our charitable mission against unexpected events. The Trustees have therefore set a medium-term goal of building available liquid assets of unrestricted funds to meet any potential gap between income and expenditure. If the business plan materialises as expected, this will be achievable within 5 years.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

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. They fall into five categories; Personnel, Funding, Operational, Reputational and Developmental, with the contents of each category as shown.

Personnel

Insufficient number of competent and trained staff. Insufficient number of seagoing volunteers. Volunteer branches not performing to requirement. Loss of key members of staff threatens effective operations management.

Funding

Cashflow insufficient to operate the charity. Liquidity insufficient to operate. Asset-to-loan ratio inadequate. Routine fundraising fails to meet targets. Pension fund repayments exceed our capacity to pay.

Operational

Defects prevent vessel sailing. Incident at sea damages a vessel. Illness or medical incident prevents vessel sailing. Certification failure of a vessel threatens programme. Head Office closure due to an incident.

Reputational

Safeguarding incident with beneficiary, voyager or crew member. Incident at sea leading to bad publicity. Failure of IT system security. GDPR Breach.

Developmental

Capital Appeal fails to meet target. Brand Refresh fails to deliver. New ship projects fails to deliver. Head Office regeneration project fails.

For all these risks, and their elemental constituents, mitigation has been put in place and, with the exception of the routine fundraising (which has yet to grow), and the pension fund deficit (which could increase over time if other fund members become insolvent), the residual risk at 28 February 2018 is determined to be “low” or “moderate”.

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. At this stage of the charity's business cycle, we have no investments. If the capital appeal is successful, then we anticipate we will have at least £1m of investments to manage.

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 company, the Council can establish other committees to deal with different aspects of the Trust's work as necessary.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

Trustees are conscious of the new ACEVO/NCVO/Charity Commission sponsored 'Code of Charity Governance' and have been applying considerable effort towards full compliance. During the reporting period, a new Strategy has been articulated and agreed, and work undertaken to revise the Articles of Association, Membership criteria and the Trustee-Exec Delegations, Roles and Responsibilities. The latter three work packages will be finalised early in the next reporting period and taken to the membership as soon as practicable, and where appropriate.

Work has also been undertaken on improving collaborative relationships, notably within the sail training community, and with other youth development charities.

In terms of leadership, the board have also recently agreed the Trust's new mission, vision and values, and worked to ensure that the new strategy, refreshed brand and appraisal process support their delivery. The board are also in the process of appointing a young woman - who has recently enjoyed our support at sea - onto the board, which will allow for greater diversity, and a voice for young people at the meetings.

The board has also recently undertaken an audit of our operational maintenance (particularly safety-related activity), and safeguarding, to ensure we are compliant, and we have minimised the risk - both to young people, and to our reputation. Over this period, the Board have also agreed a new Performance Scorecard, to allow strategic delivery to be monitored, and a Risk Register to ensure risks to the charity are mitigated wherever possible.

Finally, we are keen to promote a spirit of openness within the charity - between Trustees, Executive, Beneficiaries, Volunteers and Supporters. It is intended to open the membership to new members and the new scheme will be articulated to members at the next Annual General Meeting.

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 the last 9 months with such limited resources. Without their dedication and determination, the charity would not be afloat today.

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 ratified 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.

We thank all who gave of their resources, time and expertise to support the Trust during this incredibly challenging period in our history.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

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 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 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 FEBRUARY 2018

Opinion

We have audited the financial statements of Tall Ships Youth Trust (the 'charitable company') for the period ended 28 February 2018 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 February 2018 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 period 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 FEBRUARY 2018

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.

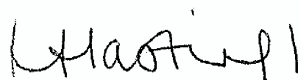
In preparing the financial statements, the trustees are responsible for assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend 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 FEBRUARY 2018**

| | | Unrestricted Funds | Restricted Funds | Endowment Funds | Total Funds Period to 28/2/2018 | Total Funds Period to 28/8/2017 |
|--|-------------|---------------------------|---------------------|--------------------|--|--|
| | <u>Note</u> | 2018 £ | 2018 £ | 2018 £ | £ | £ |
| Income and Endowments from: | | | | | | |
| Donations and legacies | 2 | 581,060 | 186,209 | - | 767,269 | 1,794,857 |
| Other trading activities: | 3 | 10,300 | - | - | 10,300 | 21,086 |
| Investments | | 81 | 1,876 | - | 1,957 | 1,985 |
| Charitable activities | 4 | <u>537,691</u> | <u>-</u> | <u>-</u> | <u>537,691</u> | <u>2,494,436</u> |
| Total income | | <u>1,129,132</u> | <u>188,085</u> | <u>-</u> | <u>1,317,217</u> | <u>4,312,364</u> |
| Expenditure on: | | | | | | |
| Raising funds | 7 | 128,213 | - | - | 128,213 | 331,467 |
| Other trading activities | 7 | 7,414 | - | - | 7,414 | 14,020 |
| Charitable activities | 7 | <u>899,340</u> | <u>115,967</u> | <u>-</u> | <u>1,015,307</u> | <u>4,816,068</u> |
| Total expenditure | | 1,034,967 | 115,967 | - | 1,150,934 | 5,161,555 |
| Gains/(losses) on revaluation of fixed assets | 12 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,744,418)</u> |
| Net movement in funds | | 94,165 | 72,118 | - | 166,283 | (3,593,609) |
| Transfer between funds | | 250,000 | (250,000) | - | - | - |
| Fund balances brought forward at 29 August 2017 | | <u>(706,242)</u> | <u>783,377</u> | <u>51,132</u> | <u>128,267</u> | <u>3,721,876</u> |
| Fund balances carried forward At 28 February 2018 | | <u>(362,077)</u> ===== | 605,495 ===== | 51,132 ===== | 294,550 ===== | 128,267 ===== |

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 PERIOD ENDED 28 FEBRUARY 2018**

| | Total Funds Period to 28/2/2018 £ | Total Funds Period to 28/8/2017 £ |
|---|--|--|
| Income | | |
| Income | 1,315,260 | 4,310,379 |
| Interest and investment income | <u>1,957</u> | <u>1,985</u> |
| Total income | <u>1,317,217</u> | <u>4,312,364</u> |
| Expenditure | | |
| Expenditure | 1,079,867 | 4,719,783 |
| Depreciation | <u>71,067</u> | <u>441,772</u> |
| Total expenditure | (1,150,934) | (5,161,555) |
| Gain/loss on revaluation | <u>-</u> | <u>(2,744,418)</u> |
| Net income / (expenditure) for the period | 166,283 ===== | (3,593,609) ===== |

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 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 FEBRUARY 2018

| | <u>Note</u> | Consolidated | | Tall Ships Youth Trust | |
|--|-------------|---------------------|------------------|-------------------------------|----------------------------|
| | | 28/2/2018 | 28/8/2017 | Funds 28/2/2018 | Funds 28/8/2017 |
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 14 | 1,757,053 | 1,829,351 | 1,757,053 | 1,829,351 |
| Investments | 15 | - | - | - | - |
| | | <u>1,757,053</u> | <u>1,829,351</u> | <u>1,757,053</u> | <u>1,829,351</u> |
| Current assets | | | | | |
| Stocks | | 11,444 | 12,636 | 250 | 250 |
| Debtors | 16 | 146,908 | 112,946 | 115,252 | 73,589 |
| Investments | 17 | 4,835 | 4,605 | 4,835 | 4,605 |
| Cash at bank and in hand | | <u>76,549</u> | <u>103,350</u> | <u>68,324</u> | <u>95,482</u> |
| | | 239,736 | 233,537 | 188,661 | 173,926 |
| Assets held for sale | 18 | - | 350,000 | - | 350,000 |
| Creditors: amounts falling due within one year | 19 | (645,314) | (1,090,869) | (522,181) | (982,248) |
| Net current assets/(liabilities) | | <u>(405,578)</u> | <u>(507,332)</u> | <u>(333,520)</u> | <u>(458,322)</u> |
| Total assets less current liabilities | | 1,351,475 | 1,322,019 | 1,423,533 | 1,371,029 |
| Creditors: amounts falling due after more than one year | 20 | (1,056,925) | (1,193,752) | (782,500) | (887,708) |
| | | 294,550 | 128,267 | 641,033 | 483,321 |
| | | ===== | ===== | ===== | ===== |
| Capital funds | | | | | |
| Endowment funds | 21 | 51,132 | 51,132 | 51,132 | 51,132 |
| Income funds | | | | | |
| Restricted funds | 22 | 605,495 | 783,377 | 605,495 | 783,377 |
| Revaluation reserve | 23 | 636,397 | 660,875 | 636,397 | 660,875 |
| Other unrestricted funds | 23 | (998,474) | (1,367,117) | (651,991) | (1,012,063) |
| | | 294,550 | 128,267 | 641,033 | 483,321 |
| | | ===== | ===== | ===== | ===== |

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



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 FEBRUARY 2018

| <u>Note</u> | Period Ended 28/2/2018 Group £ | Period Ended 28/8/2017 Group £ |
|---|---|---|
| Cashflow from operating activities | | |
| | 28 | |
| Net cashflow from operations | (182,375) | (285,895) |
| Total cashflow from operating activities | <u>(182,375)</u> | <u>(285,895)</u> |
| Cashflow from investing activities | | |
| Interest received | 1,957 | 1,985 |
| Payments to acquire fixed assets | (1,103) | (49,821) |
| Proceeds from the sale of assets | <u>350,000</u> | <u>-</u> |
| Total cashflow on Investing activities | <u>350,854</u> | <u>(47,836)</u> |
| Cash from financing activities | | |
| Repayments of borrowing | (195,280) | (143,985) |
| Cash inflows from new borrowing | - | 435,000 |
| Interest paid | - | - |
| Net cash provided by (used in) financing activities | <u>(195,280)</u> | <u>291,015</u> |
| Net (decrease) in cash and cash equivalents | (26,801) | (42,716) |
| Cash and cash equivalents at 29 August 2017 | <u>103,350</u> | <u>146,066</u> |
| Cash and cash equivalents at 28 February 2018 | 76,549 ===== | 103,350 ===== |
| Cash and cash equivalents consist of: | | |
| Cash at bank and in hand | <u>76,549</u> | <u>103,350</u> |
| Cash and cash equivalent at 28 February 2018 | 76,549 ===== | 103,350 ===== |

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES FOR THE PERIOD ENDED 28 FEBRUARY 2018

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.

The accounts have been prepared for the short period to 28 February 2018, returning to the previous accounting reference date, following the extension of the previous period to 28 August 2017. These accounts are for the six month period with comparatives of 18 months, and 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

During the period, the group sold the brig, Stavros S Niarcos, at auction for substantially less than its carrying value in the 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, 2017 accounts) and the charity had net liabilities of £458k. During this six-month period 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 in the period, this deficit has reduced to £16k (see note 23) and net current liabilities have reduced to £334k. The unrestricted funds of the group remain in deficit by £362k 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.

Basis of Consolidation

The group financial statements consolidate those of the charity and of its subsidiary undertakings (see note 15) drawn up on 28 February 2018. 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.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

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 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 period in which the voyage commences.

Grants Receivable

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

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

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

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.

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.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES (CONT) FOR THE PERIOD ENDED 28 FEBRUARY 2018

STOCKS

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. 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 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 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 acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method. The related obligations, net of future finance charges, are included in creditors.

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 FEBRUARY 2018**

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 FEBRUARY 2018

1. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

| | Unrestricted Funds Period to 28/8/2017 £ | Restricted Funds Period to 28/8/2017 £ | Endowment Funds Period to 28/8/2017 £ | Total Funds Period to 28/8/2017 £ |
|--|--|--|---|---|
| Income and Endowments from: | | | | |
| Donations and legacies | 1,417,187 | 377,670 | - | 1,794,857 |
| Other trading activities: | 21,086 | - | - | 21,086 |
| Investments | 128 | 1,857 | - | 1,985 |
| Charitable activities | <u>2,494,436</u> | <u>-</u> | <u>-</u> | <u>2,494,436</u> |
| Total income | <u>3,932,837</u> | <u>379,527</u> | <u>-</u> | <u>4,312,364</u> |
| Expenditure on: | | | | |
| Raising funds | 331,467 | - | - | 331,467 |
| Other trading activities | 14,020 | - | - | 14,020 |
| Charitable activities | <u>4,197,422</u> | <u>618,646</u> | <u>-</u> | <u>4,816,068</u> |
| Total expenditure | <u>4,542,909</u> | <u>618,646</u> | <u>-</u> | <u>5,161,555</u> |
| Gains/(losses) on revaluation of fixed assets | (2,744,418) | - | - | (2,744,418) |
| Net movement in funds | (3,354,490) | (239,119) | - | (3,593,609) |
| Transfer between funds | 763,487 | - | (763,487) | - |
| 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> |
| Fund balances carried forward At 28 August 2017 | <u>(706,242)</u> ===== | <u>783,377</u> ===== | <u>51,132</u> ===== | <u>128,267</u> ===== |

2. INCOME FROM DONATIONS AND LEGACIES

| | Unrestricted £ | Restricted £ | 2018 £ | 2017 £ |
|------------|-------------------------|-------------------------|-------------------------|---------------------------|
| Donations | 521,821 | 186,209 | 708,030 | 1,354,844 |
| Legacies | 1,137 | - | 1,137 | 341,328 |
| Membership | <u>58,102</u> | <u>-</u> | <u>58,102</u> | <u>98,685</u> |
| | <u>581,060</u> ===== | <u>186,209</u> ===== | <u>767,269</u> ===== | <u>1,794,857</u> ===== |

3. INCOME FROM OTHER TRADING ACTIVITIES

| | Unrestricted £ | Restricted £ | 2018 £ | 2017 £ |
|--------------------|-------------------|-----------------|-----------------|-----------------|
| Fundraising events | 10,300 ===== | - === | 10,300 ===== | 21,086 ===== |

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 FEBRUARY 2018

| 4. INCOME FROM CHARITABLE ACTIVITIES | Period to 28/2/2018 £ | Period to 28/8/2017 £ |
|--|-----------------------------|-----------------------------|
| Generated from Ship Operations | 517,678 | 2,431,889 |
| Grants (receivable from Associations of Sea Training Organisations for Youth Work) | <u>20,013</u> | <u>62,547</u> |
| | 537,691 | 2,494,436 |
| | ===== | ===== |

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 is set out below:-

| | 28/2/2018 £ | 28/8/2017 £ |
|-------------------|------------------|--------------------|
| Turnover | 537,691 | 2,513,341 |
| Operating costs | <u>(673,115)</u> | <u>(3,122,913)</u> |
| Operating loss | (135,424) | (609,572) |
| Other income | <u>-</u> | <u>-</u> |
| Net profit/(loss) | (135,424) | (609,572) |
| | ===== | ===== |

The net assets and liabilities of the active subsidiary are:

| | 28/2/2018 £ | 28/8/2017 £ |
|--|--------------------|--------------------|
| Current assets | 51,075 | 59,612 |
| Creditors: amounts falling due within one year | <u>(1,139,610)</u> | <u>(1,012,723)</u> |
| Total net liabilities | <u>(1,088,535)</u> | <u>(953,111)</u> |
| Aggregate of share capital and reserves | (1,088,535) | (953,111) |
| | ===== | ===== |

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 £15,605 as donations in the period to 28 February 2018 (2017: £19,086), which is classified as unrestricted income in the accounts.

TALL SHIPS YOUTH TRUST

**NOTES TO THE ACCOUNTS (cont)
FOR THE PERIOD ENDED 28 FEBRUARY 2018**

7. ANALYSIS OF EXPENDITURE

| | Direct costs £ | Support costs £ | Total 28/2/2018 £ | Total 28/8/2017 £ |
|---|----------------------|-----------------------|-------------------------|-------------------------|
| Cost of raising funds: | | | | |
| Fundraising costs | 110,730 | 16,708 | 127,438 | 327,628 |
| Allocation of governance costs (see below) | <u>-</u> | <u>775</u> | <u>775</u> | <u>3,839</u> |
| | 110,730 | 17,483 | 128,213 | 331,467 |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| Costs of other trading activities | | | | |
| Charitable activities | 7,320 | 94 | 7,414 | 14,020 |
| | ===== | ==== | ===== | ===== |
| Charitable activities | | | | |
| Ship related costs | 559,191 | - | 559,191 | 2,703,050 |
| Depreciation | 71,067 | - | 71,067 | 434,210 |
| Loss on disposal of tangible fixed asset | 5,933 | - | 5,933 | - |
| Bursaries and grants paid from restricted funds | 199,773 | - | 199,773 | 822,730 |
| Allocation of governance costs (see below) | - | 12,505 | 12,505 | 47,184 |
| Interest payable and similar finance charges | 14,595 | - | 14,595 | 38,985 |
| Other voyage and support expenses | <u>114,963</u> | <u>37,280</u> | <u>152,243</u> | <u>769,909</u> |
| | 965,522 | 49,785 | 1,015,307 | 4,816,068 |
| | ===== | ===== | ===== | ===== |

8. SUPPORT AND GOVERNANCE COSTS

| | £ | | Fundraising £ | Charitable Activities £ | Trading Activities £ | Governance £ |
|----------------|--------------|-------------------|------------------|-------------------------------|----------------------------|-----------------|
| Payroll and HR | 1,815 | Total resources | 1,291 | 457 | 7 | 60 |
| Property costs | 4,874 | Total resources | 3,466 | 1,228 | 19 | 161 |
| Office costs | 7,275 | Total resources | 5,173 | 1,833 | 29 | 240 |
| IT and Website | 5,053 | Total resources | 3,593 | 1,273 | 20 | 167 |
| Marketing | 31,362 | Direct activities | - | 31,362 | - | - |
| Other | <u>4,479</u> | Total resources | <u>3,185</u> | <u>1,128</u> | <u>19</u> | <u>147</u> |
| | 54,858 | | 16,708 | 37,281 | 94 | 775 |
| | ===== | | ===== | ===== | == | === |

Governance costs (included above)

| | Support £ | Charitable £ | Period to 28/2/2018 £ | Period to 28/8/2017 £ |
|-------------------------|--------------|-----------------|-----------------------------|-----------------------------|
| Staff costs | - | - | - | 15,811 |
| Auditors remuneration | - | 12,505 | 12,505 | 29,650 |
| Administrative expenses | <u>775</u> | <u>-</u> | <u>775</u> | <u>5,562</u> |
| | 775 | 12,505 | 13,280 | 51,023 |
| | ===== | ===== | ===== | ===== |

9. OTHER COSTS

The deficit is stated after charging:

| | 28/2/2018 £ | 28/8/2017 £ |
|-------------------------|----------------|----------------|
| Auditors remuneration | | |
| Audit services | 16,850 | 24,000 |
| Non-audit services | <u>650</u> | <u>5,650</u> |
| | 17,500 | 29,650 |
| Depreciation | 73,401 | 441,772 |
| 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 FEBRUARY 2018

10. EMPLOYEES

Employee costs during the period were as follows:

| | Period to 28/2/2018 £ | Period to 28/8/2017 £ |
|-----------------------|--------------------------------------|--------------------------------------|
| Wages and salaries | 247,075 | 679,300 |
| Social security costs | 26,872 | 66,008 |
| Other pension costs | <u>7,155</u> | <u>32,520</u> |
| | 281,102 | 777,828 |
| | ===== | ===== |

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

| | Period to 28/2/2018 £ | Period to 28/8/2017 £ |
|-------------------------------|--------------------------------------|--------------------------------------|
| Management and administration | 12 | 12 |
| | == | == |

The Charity paid remuneration to senior management personnel of £97,368 for the six-month period to 28/2/2018 (18 months to 28/8/2017 - £337,560). Senior management personnel comprises the Chief Executive Officer and Finance Director. The emoluments of higher paid employees fell within the following ranges:

| | Period to 28/2/2018 Number | Period to 28/8/2017 Number |
|---------------------|---|---|
| £60,001 to £70,000 | - | 2 |
| £80,001 to £90,000 | - | 2 |
| £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.

Expense reimbursements for travel and subsistence were not paid to Trustees during the period (2017: £nil).

12. IMPAIRMENTS OF ASSETS AND REVALUATIONS

| | Consolidated Period to 28/2/2018 £ | Consolidated Period to 28/8/2017 £ | Tall Ships Youth Trust Period to 28/2/2018 £ | Tall Ships Youth Trust Period to 28/8/2017 £ |
|---|---|---|---|---|
| Gains/(losses) on assets were reflected in the period as follows: | | | | |
| Impairment in value of Brig sold | - | (2,744,418) | - | (2,744,418) |
| Provision against loans to subsidiary companies | - | - | (143,996) | (600,012) |
| Write down of loans due to subsidiary companies | - | - | - | 140,007 |
| Impairment of value of investments in subsidiaries | <u>-</u> | <u>-</u> | <u>-</u> | <u>(160,409)</u> |
| | - | (2,744,418) | (143,996) | (3,364,832) |
| | == | ===== | ===== | ===== |

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 FEBRUARY 2018

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 28/2/2018 | Period to 28/8/2017 |
|---|----|--------------------------------|--------------------------------|
| | | £ | £ |
| Income | | | |
| Income from donations and legacies | | 767,269 | 1,775,955 |
| Other trading activities | | 10,300 | 21,086 |
| Investment income | | <u>1,957</u> | <u>1,985</u> |
| Total income | | 779,526 | 1,799,026 |
| Expenditure | | | |
| Raising funds | | (128,213) | (331,467) |
| Other trading activities | | (7,414) | (14,020) |
| Other expenditure – costs of sale | | (5,933) | - |
| Charitable activities | | <u>(336,258)</u> | <u>(1,693,156)</u> |
| Total expenditure | | (477,818) | (2,038,643) |
| (Losses)/gains on impairments of assets | 12 | <u>(143,996)</u> | <u>(3,364,832)</u> |
| Net (expenditure)/income for the period | | 157,712 | (3,604,449) |
| Total funds brought forward on 29 August 2017 | | <u>483,321</u> | <u>4,087,770</u> |
| Total funds carried forward at 28 February 2018 | | 641,033 ===== | 483,321 ===== |

14. TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust

| | Yachts | Computers, Fixtures & Equipment | Total |
|-------------------------------------|--------------------|--|--------------------|
| | £ | £ | £ |
| Cost or valuation: | | | |
| At 29 August 2017 | 2,131,999 | 178,889 | 2,310,888 |
| Additions | - | 1,103 | 1,103 |
| Disposals | <u>-</u> | <u>(108,813)</u> | <u>(108,813)</u> |
| At 28 February 2018 | 2,131,999 ===== | 71,179 ===== | 2,203,178 ===== |
| Depreciation: | | | |
| At 29 August 2017 | 313,621 | 167,916 | 481,537 |
| Provided in the period | 71,067 | 2,334 | 73,401 |
| Disposal | <u>-</u> | <u>(108,813)</u> | <u>(108,813)</u> |
| At 28 February 2018 | 384,688 ===== | 61,437 ===== | 446,125 ===== |
| Net book amount at 28 February 2018 | 1,747,311 ===== | 9,742 ===== | 1,757,053 ===== |
| Net book amount at 28 August 2017 | 1,818,378 ===== | 10,973 ===== | 1,829,351 ===== |

The Yachts are given as security against a number of loans included in creditors. The net book value of yachts given as security was £1,602,024 (2017 - £1,419,812).

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 FEBRUARY 2018

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>847,225</u> |
| Net book amount at 28 February 2018 | 523,582 |
| | ===== |

15. FIXED ASSET INVESTMENTS

| | | |
|---------------------------------------|------------------------|------------------------|
| | 28/2/2018 £ | 28/8/2017 £ |
| Investment in subsidiary undertakings | - | - |
| | == | == |

At 28 February 2018, 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.

16. DEBTORS

| | Consolidated | | Tall Ships Youth Trust | |
|-----------------|---------------------|------------------|-------------------------------|------------------|
| | 28/2/2018 | 28/8/2017 | 28/2/2018 | 28/8/2017 |
| | £ | £ | £ | £ |
| VAT recoverable | 16,599 | 18,594 | 3,053 | 5,456 |
| Other debtors | 105,744 | 67,609 | 100,081 | 56,233 |
| Prepayments | <u>24,565</u> | <u>26,743</u> | <u>12,118</u> | <u>11,910</u> |
| | 146,908 | 112,946 | 115,252 | 73,589 |
| | ===== | ===== | ===== | ===== |

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 FEBRUARY 2018

17. CURRENT ASSET INVESTMENTS

| | Consolidated | | Tall Ships Youth Trust | |
|-----------------------------|--------------|--------------|------------------------|--------------|
| | 28/2/2018 | 28/8/2017 | 28/2/2018 | 28/8/2017 |
| | £ | £ | £ | £ |
| UK investments – COIF Funds | <u>4,835</u> | <u>4,605</u> | <u>4,835</u> | <u>4,605</u> |
| | 4,835 | 4,605 | 4,835 | 4,605 |
| | ===== | ===== | ===== | ===== |

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 | |
|----------------------------|--------------|-----------|------------------------|-----------|
| | 28/2/2018 | 28/8/2017 | 28/2/2018 | 28/8/2017 |
| | £ | £ | £ | £ |
| Proceeds from sale of Brig | - | 350,000 | - | 350,000 |
| | == | ===== | == | ===== |

As a result of the auction sale of Stavros S Niarchos (the charity's Brig in October 2017), the 2017 accounts recorded the impairment of the value, and the net asset value was reflected as a current asset. In these 2018 accounts the brig was sold and selling costs reflected a profit/loss on disposal in the SoFA.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Consolidated | | Tall Ships Youth Trust | |
|---------------------------------|----------------|----------------|------------------------|---------------|
| | 28/2/2018 | 28/8/2017 | 28/2/2018 | 28/8/2017 |
| | £ | £ | £ | £ |
| Loans from Trustees and funders | 255,408 | 571,950 | 255,408 | 571,950 |
| Payments received on account | 203,850 | 251,515 | 203,850 | 251,515 |
| Trade creditors | 43,845 | 81,334 | 5,613 | 26,139 |
| Social Security and other taxes | 16,075 | 14,580 | 16,075 | 14,580 |
| Deferred income | 17,673 | 19,083 | 17,673 | 19,083 |
| Other creditors and accruals | <u>108,463</u> | <u>152,407</u> | <u>23,562</u> | <u>98,981</u> |
| | 645,314 | 1,090,869 | 522,181 | 982,248 |
| | ===== | ===== | ===== | ===== |

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 FEBRUARY 2018

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

| | Consolidated | | Tall Ships Youth Trust | |
|---------------------------------|------------------|------------------|------------------------|----------------|
| | 28/2/2018 £ | 28/8/2017 £ | 28/2/2018 £ | 28/8/2017 £ |
| Loans from Trustees and funders | 782,500 | 887,708 | 782,500 | 887,708 |
| Other creditors | <u>274,425</u> | <u>306,044</u> | — | — |
| | <u>1,056,925</u> | <u>1,193,752</u> | <u>782,500</u> | <u>887,708</u> |

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

| | Michael Crocker £ | Nova Scotia £ | Lord Burnham £ | Total £ |
|---------------------------------|-------------------------|---------------------|----------------------|---------------|
| At 29 August 2017 | 13,277 | 12,952 | 24,903 | 51,132 |
| Incoming resources | - | - | - | - |
| Transfers to unrestricted funds | — | — | — | — |
| At 28 February 2018 | <u>13,277</u> | <u>12,952</u> | <u>24,903</u> | <u>51,132</u> |

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 FEBRUARY 2018

22. RESTRICTED FUNDS

| | Balance at 29/8/2017 £ | Income £ | Expenditure £ | Transfers in period £ | Balance at 28/2/2018 £ |
|------------------------|------------------------------|-------------------------|---------------------------|-----------------------------|------------------------------|
| International fund | 187,580 | 1,876 | - | - | 189,456 |
| Other specific funds | <u>595,797</u> | <u>186,209</u> | <u>(115,967)</u> | <u>(250,000)</u> | <u>416,039</u> |
| Total restricted funds | <u>783,377</u> ===== | <u>188,085</u> ===== | <u>(115,967)</u> ===== | <u>(250,000)</u> ===== | <u>605,495</u> ===== |

The Specific Funds are donations made to the Trust to be used for specified purposes. At 28 February 2018 there were 273 separate funds (2017: 209).

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 29 August 2017 | 666,696 | 660,875 | (2,033,813) | (706,242) |
| Incoming resources | 28,550 | - | 1,100,582 | 1,129,132 |
| Outgoing resources | (83,806) | - | (951,161) | (1,034,967) |
| Transfer between funds | <u>-</u> | <u>(24,478)</u> | <u>274,478</u> | <u>250,000</u> |
| At 28 February 2018 | <u>611,440</u> ===== | <u>636,397</u> ===== | <u>(1,609,914)</u> ===== | <u>(362,077)</u> ===== |
| Tall Ships Youth Trust | Designated funds £ | Revaluation reserve £ | General reserve £ | Total £ |
| At 29 August 2017 | 666,696 | 660,875 | (1,678,759) | (351,188) |
| Incoming resources | 28,550 | - | 562,891 | 591,441 |
| Outgoing resources | (83,806) | - | (278,045) | (361,851) |
| Impairment of charitable assets | - | - | (143,996) | (143,996) |
| Transfer between funds | <u>-</u> | <u>(24,478)</u> | <u>274,478</u> | <u>250,000</u> |
| At 28 February 2018 | <u>611,440</u> ===== | <u>636,397</u> ===== | <u>(1,263,431)</u> ===== | <u>(15,594)</u> ===== |

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 FEBRUARY 2018

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted Funds £ | Restricted Funds £ | Endowment Funds £ | Total £ |
|--|----------------------------|--------------------------|-------------------------|-------------|
| Consolidated | | | | |
| Tangible fixed assets | 1,757,053 | - | - | 1,757,053 |
| Current assets | (416,891) | 605,495 | 51,132 | 239,736 |
| Current liabilities | (645,314) | - | - | (645,314) |
| Creditors: due after more than one year | (1,056,925) | - | - | (1,056,925) |
| | (362,077) | 605,495 | 51,132 | 294,550 |
| | ===== | ===== | ===== | ===== |
| Tall Ships Youth Trust | | | | |
| Tangible fixed assets | 1,757,053 | - | - | 1,757,053 |
| Current assets | (467,966) | 605,495 | 51,132 | 188,661 |
| Current liabilities | (522,181) | - | - | (522,181) |
| Creditors: due after more than one year | (782,500) | - | - | (782,500) |
| | (15,594) | 605,495 | 51,132 | 641,033 |
| | ===== | ===== | ===== | ===== |
| Period to 28 August 2017 comparative period | | | | |
| | £ | £ | £ | £ |
| 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 | (1,193,752) | - | - | (1,193,752) |
| 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 | (887,708) | - | - | (887,708) |
| At 28 August 2017 | (351,188) | 783,377 | 51,132 | 483,321 |
| | ===== | ===== | ===== | ===== |

25. PENSIONS

Defined contribution scheme

The group makes contributions towards individual pension schemes for the benefit of 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. At the period end the balance outstanding was £326,913, (2017 - £340,440).

TALL SHIPS YOUTH TRUST

NOTES TO THE ACCOUNTS (cont) FOR THE PERIOD ENDED 28 FEBRUARY 2018

26. LEASING COMMITMENTS

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

| | 28/2/2018 | | 28/8/2017 | |
|----------------------------|-----------------------|------------|-----------------------|------------|
| | Land & Buildings £ | Other £ | Land & buildings £ | Other £ |
| Within one year | 25,000 | 10,648 | 28,879 | 10,648 |
| Between two and five years | 100,000 | 12,032 | 100,000 | 17,356 |
| In over five years | <u>100,000</u> | <u>-</u> | <u>112,500</u> | <u>-</u> |
| | 225,000 | 22,680 | 241,379 | 28,004 |
| | ===== | ===== | ===== | ===== |

27. RELATED PARTY TRANSACTIONS

During the period C Lennox, who is the son of J Lennox, a trustee of the charity received remuneration of £15,702 (August 2017: £nil). An equivalent sum was donated to the charity to offset the cost. The Trustees are of the view that this is at the market rate for the job performed.

Loans

Included within the figures in notes 19 and 20 is £240,500, (2017 - £427,500) from Trustees and related parties.

| Name | Period Ended 28/2/2018 £ | Period Ended 28/8/2017 £ |
|------------|--------------------------------|--------------------------------|
| M Aiken | 200,000 | 300,000 |
| J Lennox | - | 80,000 |
| P McDanell | 20,000 | 25,000 |
| R Evans | 12,500 | 12,500 |
| S Hartigan | 10,000 | 10,000 |
| | <u>240,500</u> | <u>427,500</u> |
| | ===== | ===== |

During the period M Aiken and J Lennox made donations to the Charity of £100,000 and £80,000 respectively.

28. CASHFLOW STATEMENT

Reconciliation of income to net cashflow from operations:

| | Period Ended 28/2/2018 £ | Period Ended 28/8/2017 £ |
|---|--------------------------------|--------------------------------|
| Net income resources | 166,283 | (3,593,609) |
| Revaluation gain | - | 2,744,418 |
| Depreciation charges | 73,401 | 441,772 |
| Amortisation of dry docking costs | - | 362,875 |
| Investment income | (1,957) | (1,985) |
| Change in value of investments | (230) | (229) |
| (Increase)/decrease in stocks | 1,192 | (3,556) |
| (Increase)/decrease in debtors | (33,962) | (55,049) |
| Increase/(decrease) in creditors | <u>(387,102)</u> | <u>(290,637)</u> |
| Net cash outflow from operations | (182,375) | (285,895) |
| | ===== | ===== |

TALL SHIPS YOUTH TRUST

**NOTES TO THE ACCOUNTS (cont)
FOR THE PERIOD ENDED 28 FEBRUARY 2018**

29. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

| Group balances | 28/2/2018 | 28/8/2017 |
|---|--------------------|--------------------|
| | £ | £ |
| Financial assets at amortised cost | 81,384 | 107,955 |
| Financial liabilities at amortised cost | <u>(1,464,641)</u> | <u>(1,999,443)</u> |
| Net financial liabilities | <u>(1,383,257)</u> | <u>(1,891,488)</u> |

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

Tall Ships Youth Trust

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