



**TALL SHIPS
YOUTH TRUST**

**Financial Statements
Year Ended 29 February 2016**

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

Highlights of the Year to 29 February 2016

Holly Piper, Charities Aid Foundation:

"We support a huge number of charities, and we continue to be very impressed with the Trust - in particular, its continual increase in social impact, its impressive resilience in a tough funding environment, and the professionalism and dedication of its senior team"

Charitable Mission – Young People

- ◆ 1,395 young people benefitted
- ◆ 77% of these were disadvantaged or disabled – significantly up from the 43% level achieved prior to the introduction of the Challenger yachts
- ◆ 83% of all young people felt their voyage had increased their chances in life
- ◆ a further 1,065 over 25s supported inter-generational voyages

Volunteers, Supporters, Communication

- ◆ 85,600 volunteer hours donated in 2015/16
- ◆ 253 trust/foundation donors and 1,004 individual donors in 2015/16
- ◆ Following 2014/15 launch, over 4,000 Facebook followers, over 1,000 Twitter followers

The Fleet

- ◆ Mixed fleet of seven vessels – a 60m square rigged Brig, four 22m ocean going Challenger Yachts, a 18m Catamaran, a 16m Ketch
- ◆ Mixed fleet offers:-
 - maximum variety of developmental experiences for young people
 - flexibility to expand and contract supply in line with seasonal demand
 - ability to expand scale and scope of work with young people
 - greater scope for managing costs downwards

Financial Performance

- ◆ Net movement in funds £192k compared to net outgoing of (£524k) in 2014/15.
- ◆ £716k improvement includes:-
 - £219k more fundraising income – legacy income increased fourfold, donations from individuals, trust and organisations increased by 8%.
 - £642k gain on revaluation of Challengers
 - (£65k) donation of Ketch in 2014/15 only.
- ◆ Net income/(expenditure) has improved by 15% but is still in deficit. The underlying operational cashflow, net of exceptionals and non-cash, was (£82k) compared to (£236k) in 2014/15. This is expected to move to break even or better when the Business Plan initiatives have been completed
- ◆ Business Plan progressing – includes replacement of existing Tall Ship with smaller Tall Ship which will better suit our youth work, growing small group work and business model

British Marine on naming Tall Ships Youth Trust as its first ever Charity of the Year:

"What makes the Trust stand out is its networking with other youth organisations and its strong governance and management."

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TALL SHIPS YOUTH TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 29 FEBRUARY 2016

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 M P Aiken MBE (stood down 9 June 2015, appointed Trustee) Mr T P Allen Admiral of the Fleet the Lord Boyce KG GCB OBE DL Mr I A Carruthers Mr W D Cormie MA CA (passed away 24 April 2016) Mr D de Laszlo DL Mr D Darbyshire Mr M Dixon Mr M A C Drummond OBE DL JP 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 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 (appointed 9 June 2015) Mr M Broughton Mr P Coleman Mr R Evans Mrs W Fitzsimmons Maj. Gen. J Gordon CBE Surg. Lt. Cdr. C Griffiths RN Mr S Hartigan Mr J Lennox Mr P McDanell FCA Sir Michael Moore KBE LVO Mr C Tite (stood down 22 February 2016)

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FOR THE YEAR ENDED 29 FEBRUARY 2016

Chief Executive Mrs C Law

Company Secretary Mr P Taylor

Auditors Moore Stephens (South) LLP
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Isle of Wight
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Solicitors Blake Morgan LLP
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PO6 4ST

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PO Box No 8
7 Drumsheugh Gardens
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EH3 7QH

Bankers Clydesdale Bank plc
Gatwick Business and Private Banking Centre
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TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2016

Objects

The Tall Ships Youth Trust is dedicated to the personal development of young people through the crewing of Tall Ships. Its principal activities are to provide opportunities for young people to go to sea on the Trust's ocean going sail training vessels and to promote sail training internationally.

Review of Activities

The Trust had another successful year in 2015/16 providing voyages for 1,395 young people.

Purpose, Vision and Values

The Trust's **Purpose** is to increase young people's life chances and well-being by supporting them to develop their life skills, build self-esteem and aspirations, embrace a healthier more active lifestyle and get them involved in volunteering.

It does this using seven residential youth centres (vessels). The Trust's current fleet is a 60m Tall Ship, four 22m ocean going yachts, an 18m catamaran, and a 16m ketch.

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

Our underlying **Values** are that in all we do and say, we will, for the public benefit:-

- Support young people to develop their potential
- Seek the highest standards in our work with young people
- Manage professionally and efficiently
- Value and respect our crews and staff
- Appropriately harness the enthusiasm of our volunteers and supporters
- Manage our vessels safely and to the highest standards
- Communicate effectively and openly

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

Nearly 60 Years of Achievement

The Tall Ships Youth Trust, formerly known as The Sail Training Association when it operated 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 110,000 trainees have sailed 2 million nautical miles on our fleet of vessels.

The Trust has a reputation for delivering outstanding work with young people.

We take around 50% more individuals to sea than the next largest UK sail training charity. We also continue to achieve the highest utilisation rates thereby demonstrating achievement of our goal to be the most efficient charity in the sector.

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Significant Achievements, Business Plan and Strategy

The Trust is proud of its significant achievements in today's difficult economic climate. As a result of various initiatives, we have managed to raise more funds to expand our work with disadvantaged and disabled young people so they now represent 77% of the young people we work with compared to 43% when we introduced the Challengers.

Latest statistics show 83% of all young people feel their voyage experience has increased their chances in life. The Trust's newest projects focus on a particular disability or youth issue. For example, the Trust's employability project, in partnership with four other youth organisations across the UK, showed that voyages were the key catalyst for changes in young people's attitudes and skills with 95% of them going into employment, education or training.

Business Plan and Strategy

The Trust's primary responsibility is to ensure its work continues. To do this, we work hard to implement new fundraising initiatives and to improve efficiency and effectiveness. Longer-term, the Trust must be financially sustainable and this is reflected in the current Business Plan, which includes a major business restructuring to diversify opportunities for young people and to improve financial stability.

In 2008 we replaced one of our two 60m square rigged Brigs with four 22m ocean going Challenger Yachts. Between 2008-2011 we raised £625k of donations so only had to spend £535k to fund the £1.16M cost. This was a good investment as the vessels have a market value of £1.74M based on current valuations.

Together, the four Challengers provide the same number of berths and therefore income earning potential as one Brig. However, the number of Challengers operating can be flexed as demand varies from season to season so improving efficiency. As a result, the Challenger Fleet operating costs are 25% less than the one Brig they replaced. We are also able to split the Challenger Fleet to chase several different markets and income streams at the same time. Finally, the 12 trainee berth Challengers have enabled us to develop more dedicated voyages with our partner youth organisations, most of which cannot fill the 48 trainee berths on a Brig.

The mixed fleet model – a Tall Ship and Ocean Going Yachts – is a good one for the Trust, one we want to retain, offering the most diverse development opportunities for young people. We also see the group bookings market growing and we want to pursue and maximise the opportunities of this trend, which leans us towards these smaller vessels. We also want to improve financial stability and we recognise that we are more likely to achieve this in today's tough economic climate by reducing operating costs as well as increasing fundraising income.

For these reasons, our Business Plan proposes replacing our remaining 60m Brig with a smaller Tall Ship to support our expanding group business and further reduce costs. The proceeds from the sale of the Brig will be used to repay borrowings, provide working capital and contribute funding to the replacement smaller Tall Ship.

In support of the Business Plan, a new Funding Council will work to broaden fundraising beyond the Trust's current activities, initially for the purchase of the new ship and then for future large projects. The focus will be on targeting high net worth individuals and significant donor organisations. The Funding Council will be under the direction of one of the Trustees and will act under the authority of the Trustees for the benefit of the Trust.

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Charitable Mission – Young People

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

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

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

During 2015/16 we developed the scope and diversity of our work in a number of ways. We developed more partnerships with other youth organisations, particularly those working with disadvantaged and disabled young people. These included special needs groups, schools, youth offending teams, youth organisations representing young people not in employment, education or training (NEET) and those from black, asian and minority ethnic backgrounds. By working with these third parties, voyages are an integral part of a longer term development programme for each young person:-

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

With the support of several extremely generous trusts and individuals, we were able to launch a number of new projects in 2015/16. These included a three year UK-wide project for 225 disadvantaged young people, a new London based project for 75 disabled/special needs young people and several smaller projects across the UK. This enabled the Trust to reach out to more young people with disabilities including learning difficulties, ADHD, motor co-ordination problems, visual and hearing impairments and social interaction problems:-

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

During 2015/16, we built on the experiences and feedback of our many partner organisations to further develop several other initiatives. For example, following the two year NEETs pilot project, at the end of which 95% went into employment, education or training, in 2015/16 we extended the project to other areas. The six month interventions with our partner organisations included one-to-one and group sessions on life skills such as communication, team work and problem solving as well as work ready topics such as writing job applications and interview skills. Other sessions addressed specific, individual needs highlighted by the young people as well as any physical and mental health issues identified. As with the pilot, the young people's voyage proved to be a key catalyst for changes in their skills, attitudes and behaviour.

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Charitable Mission – Young People (continued)

In 2015/16, the Trust launched an exciting new project with Harrow School. This brought together 10 young Harrovians and 10 local young offenders, using the Trust's Challengers to provide a close communal residential setting in which the young people had to work effectively as a team. There were key learning experiences for both sets of young people:-

Peter, Harrow School "I was really pleased with the level of interaction that developed between the young people. Initially our pupils were more confident and so first to volunteer for new tasks but the varied activities on board meant that after a couple of days all of the young people found their natural level so they could take it in turns to learn tasks and explain them to the others. The experience really opened the eyes of our pupils to the lives of those less fortunate than themselves and the sorts of challenges they face just to get through each day. This lesson will stay with them for the rest of their lives."

Kevin, Youth Offending Team "Before the voyage our young people had the usual preconceptions about the pupils. The voyage experience made them far less judgmental and more open to try new things. Most of the funding was raised by the Harrow pupils but our young people got stuck in too, raising enough to treat everyone to a nice meal ashore during the voyage to say thank you. Six months on and they're all still in contact with each other. Who'd have thought it?"

Harrow School are doing another voyage in 2016/17 and the Trust plans to roll out the project to other public and independent schools over the next few years.

As a result of all of these initiatives in 2015/16:-

- 1,395 young people were supported, of whom
 - 77% were disadvantaged/disabled
 - 36% were female
 - 12% were non-white
 - 20% choose to go on 18+ voyages (feedback indicates the diverse range of life experiences on these inter-generational voyages is invaluable to young people as they think about their life choices)
- plus 1,065 over 25s supported inter-generational voyages

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

The impact of our voyages is recognised and valued by education and youth work professionals. "There is strong evidence that participation in Trust voyages influences young people's general life aspirations" (Loughborough University, three year research project).

Impact includes:-

- Increased self-esteem and self confidence
- Healthier, more active lifestyle
- Improved life skills
- Improved volunteering and citizenship skills

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Charitable Mission – Young People (continued)

Evaluations indicate (source: young people feedback questionnaires 2015/16):-

- 93% improved team working skills
- 91% improved communication skills
- 89% increased confidence and self-esteem
- 85% improved problem solving skills
- 83% improved chances in life

Youth workers, employers, parents, teachers tell us the impact is (source: feedback 2015/16):-

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

In summary, 2015/16 was another successful year for the Trust in delivering its core mission. We would like to thank all of the young people who sailed with us for making this so and also all of those who supported them and helped to fund the cost of their voyages.

Key objectives for the Trust's work with young people in 2016/17 include:-

- Consolidating and building on partnerships with other youth organisations
- Developing the Harrow School young offender project with other independent schools
- Continuing the development of work for young people with special needs
- Expanding the work with NEETs young people across the UK
- Securing funds to deliver the projects

Tall Ships Academy

The Trust's training programme is endorsed by the Royal Yachting Association (RYA) and Maritime and Coastguard Agency (MCA). A world first, it gives young people a path from their first experience to volunteering on the Trust's vessels and, for those who wish it, a career at sea. 20% of young people are recommended to come back as Volunteer Crew and follow the training programme. The objectives of the Academy and its training programme are:-

- To offer young people more options for enhancing their skills and qualifications.
- To add value and enjoyment to the sailing experience of all of our Volunteer Crew by increasing their knowledge, skills and confidence.
- To provide better support to our Salaried Crew by introducing a record of experience for each individual as well as clear training goals.
- To maintain the Trust's reputation for "best practice" and be in advance of legislative changes which are expected to require documentary evidence of safety and familiarisation training on board.

The programme formalises the existing on board training for our Volunteer Crew - working with young people, vessel familiarisation and safety training – and adds to it the syllabus of the RYA Watch Leader Certificate and the MCA Yacht Rating Certificate. The 11 modules are

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Tall Ships Academy (continued)

assessed using a Training Record Log Book which tracks competencies, defined in detail in an Instruction Manual. The Academy programme is well established on the Brig. We have adapted the Training Record Log Book to incorporate the Challengers but have temporarily suspended further work until the replacement Tall Ship is operational as the programme and supporting material will need to be amended accordingly.

Fleet Activity

2015/16

Fleet income was affected by a number of adverse factors not least the poor spring weather and the late cancellation by a third party of a Brig project. Despite this, various sales and marketing initiatives meant income was only slightly down year on year whilst income from the Ketch's first season replaced that of the hospice initiative income which ended in 2014/15.

Safety remains paramount and we will continue to maintain our vessels to the highest safety standards. Trustees receive a detailed safety report at each Council meeting. At the same time, the Trust has a reputation for good cost control. Excluding the Ketch costs (new in 2015/16) and the purchase of new spinnakers for the Challengers, careful management of expenditure meant other fleet costs were kept 5% below the 2014/15 level.

The Brig – Stavros S Niarchos

In March 2015 Stavros left its berth in Greenock having completed its major dry docking to start an intensive programme of youth voyages and port events. Highlights during the year included youth voyages sponsored by the HSBC Education Trust (their 15th consecutive year), Northern Marine Management, Emmanuel Schools and five schools in Tower Hamlets as part of a project addressing various issues including poor academic achievement and low aspirations. The Wildlife and Shanty themed voyages also proved popular. At the beginning of November Stavros returned to Liverpool's Albert Dock, a non-tidal, safe berth kindly made available by Liverpool City Council and the Canal Trust. With the support of hundreds of Volunteers, our winter activities programme was very successful including open days for schools/youth groups, maintenance and volunteer crew training.

Challengers – Challenger 1,2,3,4

2015/16 began with two Challengers undertaking their winter voyage schedules in the UK, whilst the other two were in the Caribbean having completed the "ARC" Atlantic Rally for Cruisers. By April all four were busy in the UK with many of the Trust's partner organisations taking a voyage for their young people. Other highlights included four boats in the Fastnet, including one sponsored by the Girl Guides, and the first joint Harrow School/Young Offenders voyage. Winter saw two Challengers working around the UK whilst in November two others crossed the Atlantic with the ARC for a winter Caribbean programme.

Catamaran – Tall Ships Cat

The Catamaran was based in and around the Solent during 2015/16. Highlights included introductory sail training weekends for 12-15 year olds and voyages for young people with disabilities and special needs. Substantial remedial repairs were carried out on the coach roof to maintain its integrity and allow the vessel to continue its valuable youth work.

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Fleet Activity (continued)

Ketch – Tenacity of Bolton

The Ketch was gifted to the Trust in 2014/15 by Bolton School via a tender process against fierce competition from other charities. Based at Whitehaven for 2015/16, it proved popular with youth organisations working with young people across northern England and Scotland.

Management and Crew

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

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

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

2016/17

Sales and marketing priorities for 2016/17 include continuing to expand distribution channels particularly through social media and maximising the sales opportunities of high profile events. Work will also continue with our existing partner youth organisations and several new ones.

Programme highlights for 2016/17 will include a series of regional events and receptions on Stavros to celebrate the Trust's Diamond Jubilee and the North Sea Tall Ships Regatta for the Challengers. The Challengers and the Cat will hold a series of special needs open days. Following a successful first year in Whitehaven the Ketch will move to Inverkip Marina as part of assessing the viability of basing a vessel in the north.

Our aim for 2016/17 is to keep the fleet's operating costs as low as possible, consistent with maintaining the highest level of quality and safety. This will be helped by the fact that the operating costs of the four Challengers continue to be 25% lower than those of one Brig. We will also continue our various cost management initiatives and introduce others as circumstances allow.

We thank our Salaried Crew, Volunteer Crew and Head Office teams for their continued hard work, support and enthusiasm.

We also thank the many organisations and individuals who have helped us to recruit and fund our young people.

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Promoting the Trust

In January 2016 the Trust was named British Marine's first ever Charity of the Year. This was won against fierce competition from other maritime charities. British Marine is the trade body of the UK marine industry. It is a prestigious organisation representing thousands of companies ranging from Raymarine and Ocean Safety to Oyster Yachts, Sunseeker, Sunsail and Gill. On announcing the award, Mike Enser said:-

"It has been difficult choosing between charities all doing good work. What makes the Tall Ships Youth Trust stand out is its networking with other youth organisations and its strong governance and management."

During 2015/16, we continued our strategy of focussed PR and this proved very successful in promoting the Trust's work, leading to extensive coverage in national and regional newspapers, television and radio.

Praised for its young, fresh feel and ease of navigation, the website continued to attract in voyagers and donors to the Trust as well as several companies who found the site as part of their internet research and have named the Trust as their adopted charity. Website traffic remains very high with 10,000 to 50,000 unique visitors a month depending on the time of year.

Our Facebook site, launched in 2014/15, is enabling us to evolve a new approach to PR and marketing in general, reaching a much wider audience using social media channels. Whilst still early days, we have over 4,000 Facebook followers and over 1,000 Twitter followers.

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

Throughout the year we held several Regional Events to promote the Trust's work, to re-energise our local supporters, donors and recruiters of young people and to attract new ones.

We deployed one of the Challengers to the Southampton Boat Show in September with our "taster sailing experiences" proving very successful.

The Trust's eleventh Charity Yacht Regatta took place in November 2015, bringing together Trust supporters and volunteers from around the UK and helping us to raise awareness of the Trust's work in the yachting world. Over 150 people took part in "round the cans" Solent racing, finishing with a dinner dance raising a significant amount for young people's bursaries.

Finally we have been honoured to be Royal Southampton Yacht Club's nominated charity for 2014/15 - 2015/16 and thank all of their members for their invaluable support of our work.

Promotional activities planned for 2016/17 include a series of Regional Events and Receptions across the UK on Stavros to celebrate our Diamond Jubilee; a "Big Bash" for Trust supporters in Portsmouth's Guildhall in the autumn; and the launch of a new, updated website including better alignment to mobile technology such as phones and tablets.

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Fundraising

The Trust raised £876k from individuals, trusts and organisations in 2015/16, a 21% year on year increase (a 33% increase excluding the exceptional gift in 2014/15 of a 16m ketch valued at £65k).

This was an impressive achievement given the tough economic climate and reflects the Trust's excellent reputation and high level of support/endorsement from the 253 trusts/foundations and 1,004 individuals that made a donation to the Trust in 2015/16.

We are now raising nearly half a million pounds a year from trusts/foundations. 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 2015/16.

Despite the difficult economic times and national reports that donations from individuals are declining, we continue to be surprised by the generosity of our supporters. Individual giving was up 37% year on year in 2015/16. Some of our donors respond to cash appeals, others give a regular monthly donation through the Fellowship or donate the proceeds from an event. Many simply find a resonance with our work and decide to support it.

This was the case with the Halkes family who 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 hoping to make this an annual event.

Whatever the motivation to support us, we are very grateful to everyone who decided to give the Trust a donation in 2015/16.

To support our expanding individual giving programmes, in 2015/16 we further developed the fundraising section on our website. The "fundraising ideas" page has proved particularly popular and has encouraged many more people to get involved in raising funds for the Trust.

Every year we are humbled by the generosity of people who have decided to leave us a donation in their will. In 2015/16, we received legacies totalling £215k from four estates.

This included a substantial legacy from the Eddie Dunhill Estate. After a life-long passion for sailing, Eddie passed away in 2015 at the age of 90. An extremely competitive racer, he collected over 100 trophies, sailing in many classes over the years, some of them international, and was also Commodore of Worthing Yacht Club and then Salcombe Yacht Club. Although retiring from the water in his 60s due to ill health, Eddie continued to take an active role in the sailing at the club. He liked nothing better than encouraging young people to take to the water. His son and daughter felt that the Trust's work resonated with their father's life and very kindly decided to donate sufficient funds to the Trust to provide bursaries for 300 disadvantaged and disabled young people over the next 25 years and help with the upkeep of the Trust's fleet. Each year the young people will join an "Eddie Dunhill Voyage" with the most improved young person receiving one of Eddie's trophies in recognition.

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Fundraising (continued)

Other highlights for 2015/16 included a Black Tie Charity Dinner on HMS Warrior which raised £28k. The guest speaker was Sir Keith Mills GBE DL, one of Britain's most successful entrepreneurs, best known for founding loyalty card schemes Air Miles and Nectar. Having led London's Olympic bid to success, he became Deputy Chairman of the 2012 Olympic and Paralympic Games and remains Chairman of the Invictus Games. A keen sailor, he is one of the main supporters behind Britain's America's Cup challenge skippered by Sir Ben Ainslie.

We are very grateful to everyone who supported the Trust by making a donation in 2015/16 as well as to all of our volunteers who donated 85,600 hours during the year.

A key fundraising priority for 2016/17 will be to establish a new Funding Council, a group of high net worth and well connected Trust supporters to broaden fundraising beyond the Trust's current activities, initially for the purchase of the new ship and then for future large projects. The focus will be on targeting high net worth individuals and significant donor organisations. The Funding Council will be under the direction of one of the Trustees and will act under the authority of the Trustees for the benefit of the Trust.

Volunteers

The Trust has thousands of individuals who dedicate themselves to the service of the Trust and its mission for young people. Some are involved in our volunteer support groups (Branches) whilst others offer their services on our vessels or help out at fundraising events, exhibitions and port events. Many are involved in several different activities for the Trust.

Our Volunteers are an essential element in everything we do and their contribution can be seen in every section of this Report. They donated 85,600 hours to the Trust during 2015/16.

The Trust has some 2,500 individuals volunteering and regularly supporting the Trust and we are very grateful to them all.

Environmental Policy

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

It is currently doing this through a number of initiatives:-

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

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FOR THE YEAR ENDED 29 FEBRUARY 2016

Financial Results for the Year Ended 29 February 2016

Net movement in funds for 2015/16 was £192k compared to net outgoing of (£524k) in 2014/15.

The £716k improvement year on year was mainly due to:-

- £219k more fundraising income – legacy income increased fourfold, donations from individuals, trust and organisations increased by 8%.
- (£65k) donation of Ketch in 2014/15 only.
- £28k Warrior Dinner fundraising event in 2015/16 only.
- (£90k) less fleet income - despite difficult economic conditions, fleet income level with previous year with exception of adverse spring weather effect across fleet (£60k), late cancellation of Brig Project by a third party (£50k), Challenger hospice project in 2014/15 only (£50k), partly balanced by good first season with Ketch £55k (would have been higher but season curtailed due to mechanical problems with prop).
- £18k less fleet costs - new Ketch in 2015/16 (£57k) and purchase of new challenger spinnakers (£20k) but careful management of expenditure kept other fleet costs 5% below 2014/15 level.
- (£23k) more amortised dry docking costs due to docking in 2015/16.
- £642k gain on revaluation of Challengers (based on recent transactions for identical yachts).

Net income/(expenditure) in 2015/16 has improved by 15% but is still in deficit. The underlying operational cashflow, net of exceptionals and non-cash, was (£82k) compared to (£236k) in 2014/15. This is expected to move to break even or better when the Business Plan initiatives have been completed

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

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

The Trust's fleet has a book value of £5.3M at 29 February 2016. We have been advised that the aggregate market value is not less than this level.

As part of the Business Plan, we have replaced one of our two 60m square rigged Brigs with four 22m ocean going Challenger Yachts at a total cost of £1.16M. As well as significantly expanding our work with disadvantaged or disabled young people, this has also proved to have been a good investment as, with the Trust's ongoing maintenance programme which keeps the vessels in best condition, they have a market value of £1.74M based on recent valuations.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2016

Future Financial Prospects and Reserves Policy

The mixed fleet model – a Tall Ship and Ocean Going Yachts – is a good one for the Trust and one we want to retain as it offers the most diverse development opportunities for young people. We also see the group bookings market growing and we want to pursue and maximise the opportunities of this trend which leans us towards smaller vessels. At the same time, like many other charities, particularly those affected by seasonality, cash remains tight.

So we also want to improve financial stability. We recognise that we are more likely to achieve this going forward by reducing costs than by relying on fundraising income given the current economic climate. For these reasons our Business Plan sees us replacing our 60m Brig with a smaller Tall Ship. This will support our expanding group business as well as reduce costs further. The sale of the Brig is progressing as envisaged in the Business Plan. This new fleet will fit better with our current and proposed business model whilst allowing us to continue developing our work with young people.

We continue to raise the funds needed to implement this Business Plan through a combination of loans and donations. The successful execution of the Business Plan will see the proceeds from the sale of the Brig being utilised to repay borrowing arranged to finance the Business Plan, provide working capital and contribute to the funding of the replacement smaller Tall Ship.

In support of the Business Plan, a new Funding Council will work to broaden fundraising beyond the Trust's current activities initially for the purchase of the new ship and then for future large projects. The focus will be on targeting high net worth individuals and significant donor organisations. The Funding Council will be under the direction of one of the Trustees and will act under the authority of the Trustees for the benefit of the Trust.

Nevertheless, the Trustees recognise that 2016/17 will be another challenging year financially but take comfort from previous years' achievements in equally challenging circumstances.

The Trustees' medium term objective is to build the Trust's reserves to protect our charitable mission against unexpected events, for example the consequences of one or more of the vessels being temporarily out of service. The Trustees have therefore set a goal of building available liquid assets of the unrestricted funds to meet any potential gap between income and expenditure. We recognise that it may take many years to achieve this but, once achieved, it will protect the charitable work of the Trust's thousands of supporters of the past half century.

Risk Review

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

- Operations - The principal risk is associated with running the Trust's vessels. The safety of everyone on board is paramount. All significant activities are risk reviewed at initial assessment and implementation. Salaried and Volunteer Crew receive training. Voyage Crew are trained and supervised. All vessels are maintained to the highest safety standards, in compliance with MCA and other regulatory standards.
- Fundraising Income – The risk of not securing voluntary income in these difficult economic times is being mitigated by approaching a broader range of funders.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2016

Risk Review (continued)

- Business Plan – As part of its risk management activity, the Trust continues to monitor and assess that the plan is progressing. There is a risk that the trading and other assumptions in the Business Plan are not achieved. If this happens, and were progress to be delayed, it is believed that there is flexibility for an alternative plan to be developed.
- Liquidity - The Trust seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.
- Credit - The Trust's principal financial assets are bank deposits, cash and debtors. The credit risk associated with bank deposits and cash is low. The principal credit risk arises from debtors. To manage this, voyage fees are paid before departure.
- Pensions – The Trust's subsidiary, Tall Ships Limited ("TSL"), is a member of a multi-employer pension fund. TSL is in the process of agreeing a payment plan for the post 2006 liability with the Trustees of the fund.

Investment Powers and Investment Policy

The Articles of Association give the Trustees the power to invest the monies of the Trust not immediately required for its purposes in or upon such investments, securities or other property as may be thought fit, subject nevertheless to such conditions and such consents as may for the time being be imposed by law.

Until 2014/15, the Trust employed an investment manager to manage the funds on a discretionary basis with agreed objectives to generate both long-term growth and income from a diversified-risk portfolio. The Trustees kept these guidelines under review and, at quarterly intervals, reviewed the performance of the investments against an appropriate benchmark, the WM Total Charity index (total return). The fund was moved into cash during 2014/15 in order to support the Business Plan.

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.

There are several Council sub-committees including a Remuneration Committee and Working Groups are also formed from time to time to consider specific, short-term issues. The trading operations of the Trust are devolved to its wholly owned subsidiary, Tall Ships Limited. As well as appointing Directors to the subsidiary company, the Council establishes other committees to deal with different aspects of the Trust's work as necessary. This includes a Remuneration committee that reviews and agrees staff salaries and other benefits.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2016

Structure, Governance and Management (continued)

Day-to-day management of the Trust is delegated to the Chief Executive. We congratulate and thank our small but extremely professional, committed and hard-working team at Head Office for achieving such remarkable success over recent years on such limited resources.

This view is endorsed by many third parties. As an example, Holly Piper of Charities Aid Foundation says:-

"We support a huge number of charities, and we continue to be very impressed with the Trust - in particular, its continual increase in social impact, its impressive resilience in a tough funding environment, and the professionalism and dedication of its senior team"

We are also fortunate to have such a wealth of knowledge, skills and experience on our Trustee board. As part of our planning process, we review and amend our Trustee matrix, a statement of the ideal mix of backgrounds and attributes needed collectively by the Trustees in order to effectively manage the Trust. Using this as a guide, we then attract and appoint new Trustees to fill vacancies as they arise.

The nominations, screening and selection process for new Trustees is managed on the Council's behalf by an Appointments Committee consisting of three Trustees including the Chairman and Chairman of Governance and Finance. Additional Trustees are involved as appropriate. Candidates are invited to meet at least two Members of the Appointments Committee and the Chief Executive. As part of the appointments process, all new Trustees also receive a full briefing on the Trust's financial performance, business plans and key issues, and meet key employees. On conclusion of this process, the Appointments Committee recommend candidates to the Council which decides on the appointment and, if successful, co-opts the individual until the next AGM at which their appointment is agreed by the Members.

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

Mike Aiken, who was a Trustee and Chairman of Tall Ships Limited 2006-2009 and then a Vice Patron joined us again as a Trustee in June 2015.

One Trustee, Christopher Tite, stood down in 2015/16.

Sadly Bill Cormie, a wonderful supporter of the Trust who was a Trustee and Chair of Governance and Finance 2007-2014 and then a Vice Patron, passed away in 2016 after a short illness. We all miss Bill very much and we send our heartfelt condolences to his family.

We thank all who gave of their time to support the Trust during the year.

TALL SHIPS YOUTH TRUST

REPORT OF THE TRUSTEES AND STRATEGIC REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2016

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

ON BEHALF OF THE TRUSTEES



Jock Lennox
Chairman of the Council
29 July 2016

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS AND TRUSTEES OF TALL SHIPS YOUTH TRUST
FOR THE YEAR TO 29 FEBRUARY 2016

We have audited the financial statements of Tall Ships Youth Trust for the year ended 29 February 2016 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated summary income and expenditure account, the consolidated and parent charitable company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Trustees and Auditor

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 29 February 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS AND TRUSTEES OF TALL SHIPS YOUTH TRUST
FOR THE YEAR TO 29 FEBRUARY 2016
(CONTINUED)

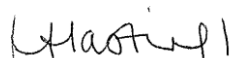
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Mrs Louise Hastings
Senior Statutory Auditor
for and on behalf of Moore Stephens (South) LLP
Statutory Auditor, Chartered Accountants
Chichester
29 July 2016

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR TO 29 FEBRUARY 2016

BASIS OF PREPARATION

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 for Smaller Entities issued on 16 July 2014, the Financial Reporting Standard for Smaller Entities (effective January 2015) and the Companies Act 2006.

They have been prepared under the historical cost convention except for certain yachts and investments included at market value.

The financial statements are prepared on a going concern basis under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the charity.

As set out in the Trustees' Report, the Trustees have implemented a strategy to reduce the Trust's operating costs over the long term. The Business Plan is based on prudent assumptions including the likely timing of the sale of the Brig and, as part of its risk management activity (see pages 14-15), the Trust continues to monitor and assess that the plan is progressing. The projections of future cash flow show that the Trust remains in a position to deliver its Business Plan and consequently the Trustees consider it appropriate to continue to prepare the financial statements on a going concern basis.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the charity and of its subsidiary undertakings (see note 11) drawn up to 29 February 2016. 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.

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.

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR TO 29 FEBRUARY 2016

INCOME RECOGNITION POLICIES (CONTINUED)

Investment income

Investment income is recognised when receivable.

Incoming Resources from Charitable Activities

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

Grants Receivable

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

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

RESOURCES EXPENDED

Expenditure is recognised when a liability is incurred.

Expenditure, which is charged on an accruals basis, is allocated between:-

- Charitable expenditure incurred directly in the fulfilment of the charity's objectives.
- Costs of generating funds, being those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.
- Other costs comprise interest payable on loans.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

FUND ACCOUNTING

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund.

Endowment funds represent those funds which must be held permanently on trust by the charity for the benefit of the charity.

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the charity.

Designated funds are unrestricted funds which have been designated for specific purposes by the Trustees.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation, net of depreciation. The costs of the new ships include all direct costs incurred before entry into service. Depreciation is calculated on all tangible fixed assets to write down the cost or valuation less estimated residual value by annual instalments over their expected useful lives. The periods generally applicable are:-

Brigs	25 years
Yachts	5-20 years
Computers and Office Equipment	5 years
Display and Exhibition Equipment	3 years
Fixtures and Fittings	18 months

TALL SHIPS YOUTH TRUST

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR TO 29 FEBRUARY 2016

FOREIGN CURRENCIES

Exchange differences are dealt with in the statement of financial activities.

INVESTMENTS

Assets held for investment purposes are included at market value.

Traded securities are valued at the mid-point quotation in the Stock Exchange Daily List. Other investment assets are included at the Trustees' best estimate of market value. Donated shares that come with a requirement that they be held for a fixed period are included in the Balance Sheet at a value assessed by the Trustees at the date of receipt. This value is then reviewed by the Trustees at each balance sheet date.

STOCKS

Stocks are stated at the lower of cost and 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.

RETIREMENT BENEFITS

Defined Contribution Scheme

The pension costs charged in the year represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Scheme

Some former employees of the Trust's active subsidiary, Tall Ships Limited, were members of 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.

TALL SHIPS YOUTH TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 29 FEBRUARY 2016

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2016 £	Total 2015 £
Income and Endowments from:						
Donations and legacies	1	149,089	726,655	-	875,744	721,733
Other trading activities	2	69,971	-	-	69,971	28,375
Investments		2,151	1,839	117	4,107	18,389
Charitable activities	3	1,572,534	-	-	1,572,534	1,660,067
Total income and endowments		<u>1,793,745</u>	<u>728,494</u>	<u>117</u>	<u>2,522,356</u>	<u>2,428,564</u>
Expenditure on:						
	6					
Raising funds		202,952	-	-	202,952	210,224
Other trading activities		31,482	-	-	31,482	15,317
Investment management costs		-	-	-	-	3,170
Charitable activities		2,266,188	471,672	-	2,737,860	2,726,071
Total expenditure		<u>2,500,622</u>	<u>471,672</u>	<u>-</u>	<u>2,972,294</u>	<u>2,954,782</u>
Net income/(Expenditure)		(706,877)	256,822	117	(449,938)	(526,218)
Transfers between funds		117	-	(117)	-	-
Gains / (losses) in investments		-	-	-	-	1,842
Gains / (losses) on revaluation of fixed assets		642,184	-	-	642,184	-
Net movement in funds		<u>(64,577)</u>	<u>256,822</u>	<u>-</u>	<u>192,246</u>	<u>(524,376)</u>
Fund balances brought forward at 1 March 2015		<u>1,530,966</u>	<u>1,272,333</u>	<u>814,619</u>	<u>3,617,918</u>	<u>4,142,294</u>
Fund balances carried forward at 29 February 2016		<u>1,466,390</u>	<u>1,529,155</u>	<u>814,619</u>	<u>3,810,164</u>	<u>3,617,918</u>

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

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

TALL SHIPS YOUTH TRUST

CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 29 FEBRUARY 2016

	2016	2015
	£	£
Total income	2,522,239	2,412,326
Total expenditure	<u>(2,972,294)</u>	<u>(2,951,612)</u>
Net outgoings for the year before transfers	<u>(450,055)</u>	<u>(539,286)</u>

Total income comprises £1,793,745 (2015: £1,914,953) for unrestricted funds and £728,494 (2015: £497,373) for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities.

Detailed analysis of expenditure is provided in the Consolidated Statement of Financial Activities and note 6.

The summary income and expenditure account is derived from the Consolidated Statement of Financial Activities on page 23 and excludes all income and expenditure on the endowment funds. The statement of financial activities together with the notes on pages 26 to 36 provides full information on the movements during the year on all the funds of the Charity.

TALL SHIPS YOUTH TRUST

BALANCE SHEETS

AS AT 29 FEBRUARY 2016

		Consolidated		Tall Ships Youth Trust	
		2016	2015	2016	2015
	Note	£	£	£	(restated) £
Fixed assets					
Tangible assets	10	5,315,720	4,902,499	5,315,720	4,902,499
Investments	11	-	-	160,409	160,409
		<u>5,315,720</u>	<u>4,902,499</u>	<u>5,476,129</u>	<u>5,062,908</u>
Current assets					
Stocks		9,080	12,486	250	250
Debtors	12	530,870	583,023	463,318	151,592
Investments	13	4,383	12,641	4,383	12,641
Cash at bank and in hand		146,066	447,853	120,023	414,014
		<u>690,399</u>	<u>1,056,003</u>	<u>587,974</u>	<u>578,497</u>
Creditors: amounts falling due within one year	14	<u>(1,049,813)</u>	<u>(845,708)</u>	<u>(1,072,722)</u>	<u>(719,559)</u>
Net current assets / (liabilities)		<u>(359,414)</u>	<u>210,295</u>	<u>(484,748)</u>	<u>(141,062)</u>
Total assets less current liabilities		4,956,306	5,112,794	4,991,381	4,921,846
Creditors: amounts falling due after more than one year	15	(950,330)	(1,267,898)	(903,611)	(1,230,000)
Provisions for liabilities					
Pension provision	20	<u>(195,812)</u>	<u>(226,978)</u>	<u>-</u>	<u>-</u>
		<u>3,810,164</u>	<u>3,617,918</u>	<u>4,087,770</u>	<u>3,691,846</u>
Capital funds					
Endowment funds	16	814,619	814,619	814,619	814,619
Income funds					
Restricted funds	17	1,529,155	1,272,333	1,529,155	1,272,333
Revaluation reserve	18	734,330	98,096	734,330	98,096
Other unrestricted funds	18	732,060	1,432,870	1,009,666	1,506,798
		<u>3,810,164</u>	<u>3,617,918</u>	<u>4,087,770</u>	<u>3,691,846</u>

The financial statements were approved by the Trustees on 29 July 2016.

Jock Lennox

Jock Lennox
Chairman of the Council

Charity Number: 314229 Company Number: 567460

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

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

1 INCOMING RESOURCES FROM VOLUNTARY INCOME

	2016	2015
	£	£
Donations	600,750	617,767
Legacies	214,900	45,027
Membership	60,094	58,939
	<u>875,744</u>	<u>721,733</u>

2 INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING INCOME

	2016	2015
	£	£
Fundraising Events	69,971	28,375

3 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2016	2015
	£	£
Generated from Ship Operations	1,530,358	1,620,432
Grants (receivable from Association of Sail Training Organisations for Youth Work)	42,176	39,635
	<u>1,572,534</u>	<u>1,660,067</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

4 NET INCOME FROM ACTIVITIES OF SUBSIDIARIES

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

	2016 £	2015 £
Turnover	1,611,712	1,702,138
Operating costs	(1,815,390)	(1,753,724)
	<hr/>	<hr/>
Operating profit	(203,678)	(51,586)
Interest receivable	-	13
	<hr/>	<hr/>
Net profit	<u>(203,678)</u>	<u>(51,573)</u>

The net assets and liabilities of the active subsidiary are:

	2016 £	2015 £
Current assets	444,842	537,205
Creditors: amounts falling due within one year	(457,562)	(323,902)
Creditors: amounts falling due after more than one year	(46,719)	(37,898)
Provision	<u>(195,812)</u>	<u>(226,978)</u>
	<hr/>	<hr/>
Total net liabilities	<u>(255,251)</u>	<u>(51,573)</u>
	<hr/>	<hr/>
Aggregate of share capital and reserves	<u>(255,251)</u>	<u>(51,573)</u>

5 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 end of February submitted by each branch. Branches raised £24,292 (2015: £18,356) in the year.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

6 ANALYSIS OF RESOURCES EXPENDED

	Direct costs £	Support costs £	Total 2016 £	Total 2015 £
Cost of raising funds				
Fundraising costs	162,351	38,216	200,567	207,437
Allocation of governance costs (see below)	-	2,385	2,385	2,787
	<u>162,351</u>	<u>40,601</u>	<u>202,952</u>	<u>210,224</u>
Costs of other trading activities:				
Events costs	31,267	215	31,482	15,317
Investment management costs	-	-	-	3,170
Charitable activities				
Ship related costs	1,469,899	-	1,469,899	1,428,104
Depreciation	258,301	-	258,301	267,121
Bursaries and grants paid from restricted funds	471,672	-	471,672	508,966
Allocation of governance costs (see below)	-	31,691	31,691	37,026
Interest payable and similar finance charges	93,898	-	93,898	95,596
Other voyage and support expenses	301,181	111,218	412,399	389,258
	<u>2,594,951</u>	<u>142,909</u>	<u>2,737,860</u>	<u>2,726,071</u>
Governance costs (included above)				
Staff costs	15,648	-	15,648	15,341
Auditors remuneration	15,000	-	15,000	20,625
Administrative expenses	1,654	1,774	3,428	3,847
	<u>32,302</u>	<u>1,774</u>	<u>34,076</u>	<u>39,813</u>
Total resources expended include:				
			2016	2015
			£	£
Auditors remuneration				
Audit services - Grant Thornton UK LLP			-	20,000
- Moore Stephens (South) LLP			14,250	-
Non-audit services			750	1,500
Expenses			-	450
			<u>15,000</u>	<u>21,950</u>
Depreciation			264,796	272,172
Operating lease rentals			<u>38,048</u>	<u>31,398</u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

7 EMPLOYEES

Employee costs during the year were as follows:

	2016	2015
	£	£
Wages and salaries	458,628	446,790
Social security costs	41,343	39,462
Other pension costs	24,288	21,882
	<u>524,259</u>	<u>508,134</u>

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

	2016	2015
Management and administration	<u>13</u>	<u>13</u>

The emoluments of higher paid employees fell within the following ranges

	2016	2015
	Number	Number
£60,001 to £70,000	1	1
£70,001 to £80,000	<u>1</u>	<u>1</u>

8 PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

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

Expense reimbursements for travel and subsistence were not paid to Trustees during the year (2015: £nil).

9 SURPLUS / (DEFICIT) OF EXPENDITURE OVER INCOME

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

The surplus/(deficit) of income over expenditure for the year includes £395,924 (2015: deficit of £472,803) that is dealt with in the financial statements of the charity. Details of the results of the trading subsidiary are set out in note 4.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

10 TANGIBLE FIXED ASSETS

Consolidated and Tall Ships Youth Trust

	Brig	Yachts	Computers, Fixtures and Equipment	Total
	£	£	£	£
Cost or valuation:				
At 1 March 2015	5,715,496	1,839,271	170,466	7,725,233
Additions	-	30,940	4,892	35,832
Revaluation	-	642,185	-	642,185
	<u>5,715,496</u>	<u>2,512,396</u>	<u>175,358</u>	<u>8,403,250</u>
At 29 February 2016	5,715,496	2,512,396	175,358	8,403,250
Depreciation:				
At March 2015	2,245,307	423,568	153,859	2,822,734
Provided in the year	153,970	104,331	6,495	264,796
	<u>2,245,307</u>	<u>423,568</u>	<u>153,859</u>	<u>2,822,734</u>
Net book amount at 29 February 2016	<u>3,316,219</u>	<u>1,984,497</u>	<u>15,004</u>	<u>5,315,720</u>
Net book amount at 28 February 2015	<u>3,470,189</u>	<u>1,415,703</u>	<u>16,607</u>	<u>4,902,499</u>

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

	£
Cost	1,500,211
Valuation	1,012,185
	<u>2,512,396</u>

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	290,000
Accumulated depreciation	<u>157,888</u>
Net book amount at 29 February 2016	<u>132,112</u>
Net book amount at 28 February 2015	<u>151,445</u>

Included within the net book value of £5,315,720 is £6,636 (2015: £8,626) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £1,991 (2015: £1,327).

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

11 FIXED ASSET INVESTMENTS

	2016 £	2015 £
Investment in Subsidiary undertakings	<u>160,409</u>	<u>160,409</u>

At 29 February 2016 the charity held the whole of the issued share capital of its active subsidiary – Tall Ships Limited engaged on the operation of tall ships. The charity also held the whole of the issued share capital of the following dormant companies – Tall Ships Races Limited, Tall Ships Classics Limited, Tall Ships Events Limited, STA Tall Ships Limited, International STA Limited, Tall Ships Youth Limited, Tall Ships Crew Limited, Tall Ships Adventures Limited, Tall Ships 2000 Limited and The Sail Training Association. All of the subsidiary undertakings have been consolidated in these financial statements.

12 DEBTORS

	Consolidated		Tall Ships Youth Trust	
	2016 £	2015 £	2016 £	2015 £
Trade debtors	-	12,521	-	-
Amounts owed by group undertakings	-	-	340,116	59,699
VAT	15,258	15,274	2,933	5,818
Unamortised dry docking costs	362,875	426,298	-	-
Other debtors	65,798	17,541	63,205	17,168
Prepayments	86,939	111,389	57,064	68,907
	<u>530,870</u>	<u>583,023</u>	<u>463,318</u>	<u>151,592</u>

13 CURRENT ASSET INVESTMENTS

	Consolidated		Tall Ships Youth Trust	
	2016 £	2015 £	2016 £	2015 £
Listed investments (in the UK)	-	8,378	-	8,378
Cash held as part of portfolio	-	110	-	110
Unlisted investments (in the UK)	4,383	4,153	4,383	4,153
	<u>4,383</u>	<u>12,641</u>	<u>4,383</u>	<u>12,641</u>

Listed investments are stated at the lower of Trustees' valuation or their market value as at the balance sheet date. Unlisted investments have been valued by the Trustees.

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

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2016	2015	2016	2015
	£	£	£	£
Loans from Trustees and funders	462,577	260,018	462,577	260,018
Payments received on account	302,707	282,614	303,097	198,980
Trade creditors	70,635	61,943	1,885	12,927
Amounts owed to group undertakings	-	-	140,007	140,008
Amounts due under finance leases	-	7,742	-	7,742
Social Security and other taxes	11,798	12,476	11,798	12,476
Adjustment to comparatives	-	-	-	(51,573)
Other creditors and accruals	202,096	220,915	153,358	138,981
	<u>1,049,813</u>	<u>845,708</u>	<u>1,072,722</u>	<u>719,559</u>

Loans from Trustees and funders are secured by fixed charges over the Trust's vessels (see note 22).

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Tall Ships Youth Trust	
	2016	2015	2016	2015
	£	£	£	£
Loans from Trustees and funders	903,611	1,230,000	903,611	1,230,000
Other creditors (see Note 20)	46,719	37,898	-	-
	<u>950,330</u>	<u>1,267,898</u>	<u>903,611</u>	<u>1,230,000</u>

Loans from Trustees and funders are secured by fixed charges over the Trust's vessels (see note 22).

16 ENDOWMENT FUNDS

	Andrew Salvesen £	Michael Crocker £	Nova Scotia £	Lord Burnham £	Total £
At 1 March 2015	763,487	13,277	12,952	24,903	814,619
Incoming resources	117	-	-	-	117
Transfers to unrestricted funds	(117)	-	-	-	(117)
At 29 February 2016	<u>763,487</u>	<u>13,277</u>	<u>12,952</u>	<u>24,903</u>	<u>814,619</u>

The Andrew Salvesen fund was established in November 1999 with a donation from the Andrew Salvesen Charitable Trust (ASCT). By a trust deed dated 23rd March 2004, the ASCT, as settlor, established the Andrew Salvesen Endowment Trust (the ASET) to which the ASCT donated an initial capital sum of £900,000 to be held as permanent endowment. The object of the ASET is to generate income to enhance the personal development of young people through crewing tall ships. Tall Ships Youth Trust (TSYT) is the sole Trustee of the ASET which has been registered as a subsidiary charity of TSYT with the Charity Commission.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

16 ENDOWMENT FUNDS (CONTINUED)

By a Supplemental Deed dated 21 October 2013 amending the 2004 trust deed, the ASCT has power to direct TSYT, as Trustee of the ASET, to apply any part or parts of the capital of the endowment of ASET to TSYT acting in its own capacity, subject to such conditions as may be agreed. On 23 October 2013, ASCT exercised this power by directing TSYT to release £250k to TSYT to be held by TSYT as a restricted fund for the purposes of providing working capital. In order to reflect this transfer, the value of the original gift by the ASCT (£900k) and the unapplied total return at the date of the transfer (£112k) have been reduced on a pro-rata basis.

The Michael Crocker fund was set up in memory of a yachtsman murdered in February 1982. The income is for contributions to voyage fees for pupils of Henley College. The Nova Scotia fund was set up in memory of trainees who died on the sailing ship "Marques" which sank off Bermuda during the 1984 American Tall Ships race. The income is shared with the American Sail Training Association and is to support a voyage berth. The Lord Burnham fund was set up in his memory following his death in June 1993. Income is for contributions to Voyage fees aboard the Trust's ships for trainees ideally but not exclusively from Eastern Europe.

The Charity Commission permitted the Trust to adopt the use of total return investment powers in relation to its permanent endowment investments by an order granted in May 2005. The power permits the Trustees to invest the portfolio to maximise total return and to apply an appropriate portion of the unapplied total return to income each year. Until the power is exercised to transfer a portion of unapplied total return to income (as disclosed in the fund transfers, notes 18 and 19), the unapplied total return remains invested as part of the Permanent Endowment.

	£
Unapplied total return at 1 March 2015	107,843
Investment return - year to 29 February 2016	
Inter-fund interest receivable	117
Unapplied total return before transfer to income	<u>117</u>
Transfer to Restricted Funds	(117)
Unapplied total return applied	-
Unapplied total return at 29 February 2016	<u>107,843</u>
Original value of gifts	929,000
Transfer to Restricted Funds	<u>(222,224)</u>
	706,776
Permanent endowment including the unapplied total return	<u><u>814,619</u></u>

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

17 RESTRICTED FUNDS

	Specific Funds £	International Fund £	Total £
At 1 March 2015	1,088,449	183,884	1,272,333
Incoming resources (including inter-fund transfers)	726,655	1,839	728,494
Outgoing resources	(471,672)	-	(471,672)
	<u>1,343,432</u>	<u>185,723</u>	<u>1,529,155</u>

The Specific Funds are donations made to the Trust to be used for specified purposes. At 29 February 2016 there were 204 separate funds (2015: 158).

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

18 UNRESTRICTED FUNDS

Consolidated	Revaluation reserve £	General reserve £	Total £
At 1 March 2015	98,096	1,432,870	1,530,966
Incoming resources (including inter-fund transfers)	-	1,793,862	1,793,862
Outgoing resources (including inter-fund transfers)	-	(2,500,622)	(2,500,622)
Revaluation in the year	642,184	-	642,184
Transfer between reserves	(5,950)	5,950	-
	<u>734,330</u>	<u>732,060</u>	<u>1,466,390</u>
At 29 February 2016			
Tall Ships Youth Trust	Revaluation reserve £	General reserve £	Total £
At 1 March 2015 - as previously stated	98,096	1,455,225	1,553,321
Restated reserves - prior year adjustment	-	51,573	51,573
Incoming resources (including inter-fund transfers)	-	221,211	221,211
Outgoing resources (including inter-fund transfers)	-	(724,293)	(724,293)
Revaluation in the year	642,184	-	642,184
Transfer between reserves	(5,950)	5,950	-
	<u>734,330</u>	<u>1,009,666</u>	<u>1,743,996</u>
At 29 February 2016			

The Charity only general reserves were understated in the 2015 accounts, and have been adjusted.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
Consolidated				
Tangible fixed assets	4,001,101	500,000	814,619	5,315,720
Current assets	(338,756)	1,029,155	-	690,399
Current liabilities	(1,249,813)	-	-	(1,249,813)
Creditors: due after more than one year	(750,330)	-	-	(750,330)
Provision	(195,812)	-	-	(195,812)
	<u>1,466,390</u>	<u>1,529,155</u>	<u>814,619</u>	<u>3,810,164</u>
Tall Ships Youth Trust				
Tangible fixed assets	4,001,101	500,000	814,619	5,315,720
Investments	160,409	-	-	160,409
Current assets	(441,181)	1,029,155	-	587,974
Current liabilities	(1,272,722)	-	-	(1,272,722)
Creditors: due after more than one year	(703,611)	-	-	(703,611)
	<u>1,743,996</u>	<u>1,529,155</u>	<u>814,619</u>	<u>4,087,770</u>

20 PENSIONS

Defined contribution scheme

The group makes contributions towards individual pension schemes for the benefit of certain employees. The assets of these schemes are administered by Trustees in funds independent from those of the Tall Ships Youth Trust and its subsidiary companies. Contributions made during the year are disclosed in note 7.

Defined benefit scheme

A number of former employees of the Trust's 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.

The current balances on the deficits up to March 2006 are shown as £26,244 (2015 - £26,244) creditors falling due within one year and £46,719 (2015: £37,898) creditors falling due after more than one year.

Provision

The Trustees have reviewed the accounting for the post 2006 pension liability. As discussions continue between TSL and the trustees of the scheme on the precise payment terms, the Trustees have made a provision of £195,812 (2015 - £226,978) based on their current best estimate of the deficit.

Therefore the aggregate deficit due to the scheme shown in the accounts is £268,775 (2015: £291,120).

Discussions are continuing with the trustees of the scheme to agree a repayment schedule for the post 2006 liability.

TALL SHIPS YOUTH TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

21 LEASING COMMITMENTS

Operating lease payments amounting to £38,048 (2015: £31,398) are due within one year. The leases to which these amounts relate expire as follows:-

	2016		2015	
	Land & buildings £	Other £	Land & buildings £	Other £
In one year or less	20,750	-	20,750	-
Between two and five years	6,650	10,648	-	7,996
Over five years	-	-	-	2,652
	<u>27,400</u>	<u>10,648</u>	<u>20,750</u>	<u>10,648</u>

22 RELATED PARTY TRANSACTIONS

Loans

Included within the figures in notes 14 and 15 is £79,610 (2015: £69,610) from Trustees and related parties.

Tall Ships Youth Trust

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