



**Somerset House Trust**

**Annual Report and Accounts  
For the year ended 31 March 2005**

Registered company number: 3388137

Registered charity number: 1063640

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## Chairman's Report

### For the year ended 31 March 2005

Somerset House in its new role celebrated its fifth birthday in May 2005. In May 2000, when Queen Elizabeth the Queen Mother reopened Somerset House to the public after restoration, we began a journey. We are not yet at our destination, but this is a good opportunity both to review the first five years and to plan our future.

The transformation of Somerset House from a Government office building into today's palace of resort and recreation, intellectual and cultural refreshment and fun, would not have been possible without the vision, courage and persistence of some dedicated enthusiasts. To name them all would be impossible; but I pay particular tribute to Lord Rothschild, Lord Heseltine, the late Sir Arthur Gilbert, Mrs Lily Safra, Sir Simon Jenkins and Sir Timothy Sainsbury. Successive governments were sympathetic, and the cause was greatly helped by media support. The first decisive step was the Somerset House Act 1984, which affirmed the aim that Somerset House should become a home for culture and the arts. The next was the move into the Strand Block, with its Fine Rooms originally designed for the Royal Academy, of the Courtauld Institute of Art and its world-famous art collections. In 1997 the Trust was established under my predecessor, Sir Timothy Sainsbury, and the staff of the Lord Chancellor's Department moved out of the South Building. With substantial help from the Heritage Lottery Fund, restoration work banished cars from the Courtyard, installing the wonderful fountain display; the River Terrace, with its unique views of the Thames, was reinstated as a promenade; and the Gilbert Collection of Decorative Arts came to the UK in the specially-designed galleries in the Embankment and South Building. Later in 2000, the opening of the Hermitage Rooms added to the attractions on site, and marked the beginning of a fruitful connection with the St Petersburg Museum.

Since then there has been considerable progress. It is worth recalling that in 1997, success was not seen as a foregone conclusion; visitor numbers were projected, optimistically, at reaching some half a million a year after three years, the potential of the Courtyard for hosting public events was unrealised and the basis of the Trust's finances was untested. The Trustees, past and present, friends, neighbours, benefactors and staff, have invested imagination and resources over five short years to the point where Somerset House with over a million visitors a year is one of London's Top 10 free visitor destinations; where our Ice Rink is an icon for London's winter; and where our innovative summer events and learning programmes are eagerly anticipated by families, schools, cultural opinion-formers, and sophisticated contemporary audiences alike.

The Trust's ambition now is to take another decisive step towards the full restoration and reopening of Somerset House, in order to help meet the expectations of our existing visitors and the increased, new and diverse audiences we want to attract. We are determined that the range and quality of visitor services should meet the standards of a top visitor destination in one of the world's most exciting and successful cities; and we aim to add new reasons to visit. The Trust's purpose is to match the potential of the building to contemporary uses, respecting its status as one of the finest eighteenth-century buildings in the country. The vision for the South Building is of a full redevelopment to match this purpose, a project which will require substantial funds. In the meantime, we are restoring the fine first floor of the South Building and will bring it into use, along with the splendid Salt Stair, and we will begin to upgrade the presentation of the site so that it is stylish, efficient and welcoming.

## Chairman's Report (continued)

For the year ended 31 March 2005

Our vision of course goes beyond this. Her Majesty's Revenue and Customs is our principal tenant, with long leases, but we look to the time when they may release further space to us. We have greatly benefited from our consultations with opinion-formers from the arts world, from the work of our Masterplanners, and from conversations with our partners and neighbours, especially the Courtauld Institute and King's College. We have been confirmed in our view that together we have a viable proposition for development of the East Wing, which would advance the Trust's mission of public access, and we hope that, with support from Government, we shall be able to realise it.

Finally, I thank all who work for the Trust's vision - our highly motivated staff, our dedicated volunteers and my fellow Trustees who contribute their time, energy and ideas. I pledge the Trust to work jointly in advancing our aims with the Courtauld Institute and King's College. The Trust looks forward to further decisive steps in realising its mission to develop this wonderful building as a home for culture and the arts.



**Sir Christopher Mallaby, Chairman**

**14 September 2005**

# Trustees Report

For the year ended 31 March 2005

## 1 INTRODUCTION

Somerset House is situated in the heart of London on the banks of the River Thames and is one of the finest late-eighteenth century public buildings in Europe. Since May 2000 the site has been open to the public as a venue for recreation and relaxation as well as home to three art galleries. The aspiration of Somerset House Trust ("the Trust") is to make Somerset House a unique part of the London cultural scene, presenting visual arts with insight and passion and bringing the courtyard alive with varied and original events.

This report reviews the Trust's structure, aims, objectives, activities and performance, and sets out its plans for the future. It also provides information on governance and comments on the financial statements for the year.

## 2 ORGANISATIONAL STRUCTURE

### Status

The Trust was incorporated as Somerset House Limited, a private company limited by guarantee (no. 3388137), in 1997, and registered as a charity under the same name (charity number 1063640). Its name was officially changed to Somerset House Trust in 1998. The charity is governed by its Memorandum and Articles of Association. The Somerset House Act 1984, although preceding the creation of the Trust, indicates the intentions of Parliament and the Government for the future development of Somerset House as a home for culture and the arts.

### Trustees and Staff

During the period the Trustees, also the directors and members of the company, were:

Sir Christopher Mallaby (Chairman)  
Dr Giles Worsley  
The Rt. Hon Lord Justice Mark Potter  
Miss Rosalind Savill (until 22 September 2004)  
Mr Richard Burdett  
Mr Tony Elliott  
Mr Jeremy Hardie  
Lady Irvine of Lairg  
Mr Robert Gillespie  
Sir Simon Jenkins  
Mr James Strachan  
Sir John Tusa (appointed 12 May 2004)

The Company Secretary is Mr Rikesh Shah.

## Trustees Report (continued)

For the year ended 31 March 2005

Trustees are appointed following a review by the Chairman and existing Board members of the relevant skills and experience required by the Trust. Current Trustees have experience and knowledge in the Trust's wide range of activities, including architecture and heritage, the visual arts and contemporary culture, as well as in finance and law. New Trustees receive extensive background material to familiarise themselves with the history and activities of the Trust.

The Trustees meet every two months. At each meeting they consider a full report from the management team including the latest management accounts and progress reports on current projects, as well as policy papers and design presentations as appropriate. As part of the Trust's planning processes, the Board carries out an annual review of its strategy.

In addition to the meetings of the main Board, the Finance and Audit Subcommittee meets every two months, with the usual range of responsibilities. The Design Development and Architectural Conservation Subcommittee meets at least twice a year, and the Events and Access Subcommittee meets three or four times a year. Between them, these Subcommittees are able to discuss in depth the range of issues comprising the Trust's activities. The main Board receives reports from the Subcommittees, and all major issues are reserved for main Board decision.

The Trust's senior management team comprises the following employed staff:

|                              |                                       |
|------------------------------|---------------------------------------|
| Director                     | Diana Hansen                          |
| Director of Fundraising      | Rikesh Shah                           |
| Director of Events & Access  | Donne Robertson                       |
| Estates Director             | Nigel Gammon                          |
| Director of Corporate Events | Charlotte Reeves                      |
| Finance Director             | Joe Ghandhi (appointed 1 August 2005) |

The Trust, in pursuit of its cultural mission, is landlord to a number of tenants who are themselves charities, chiefly the Courtauld Institute of Art, the Gilbert Collection and the Hermitage Development Trust; these charities are independent bodies. The Trust's commercial activities are undertaken by a wholly-owned subsidiary, Somerset House Enterprises Ltd, which gifts its net income to the Trust.

## Trustees Report (continued)

For the year ended 31 March 2005

### **3 OBJECTIVES AND STRATEGY**

The Trust's mission is to conserve and restore Somerset House to the highest standards and to develop the site as a public space which is universally recognised as a world class visitor destination and centre of excellence for culture and the arts.

The Trust's strategy was reviewed by the Board during the year and a new business plan will be prepared in late 2005. Key emerging themes have included the importance of developing a coherent vision for the long term future of the site; improving the presentation of the building and its attractions, and how we communicate with the public; building fruitful relationships with existing and new cultural partners; and maintaining the successes of the public events programme.

The Board's ambition is to increase the number of visitors to Somerset House to 2 million each year by 2010. This can be achieved with further development of the site, further expansion of the cultural offering and continued improvements in marketing and the quality of visitor services. Further details of these issues, and other initiatives considered by the Board during the year, are set out below.

### **4 BUILDING PROJECTS AND CONSERVATION**

The Trust needs to ensure that individual development projects are coherent with a longer term vision for the future of the whole site, even though that vision will not be fully realised while the majority of the site continues to be occupied by Her Majesty's Revenue and Customs. The Trust therefore aims to bring all the space it controls into use in a way which is adaptable to opportunities which may arise later, and to establish a medium term framework which encourages attractive short term projects. Consistently with this aim, the Trust commissioned a revised Masterplan from Dixon.Jones, which followed extensive consultation among influential opinion formers in the arts, architecture and heritage fields. The refreshed Masterplan offers a number of important insights, reviewing in the light of 5 years' operation the elements in Somerset House which have helped make it an outstanding success, and those which may need review in the next phase of development. The Trustees welcomed this plan as a significant contribution to their policy formulation.

A major task for the Trust is conservation of the Grade I listed building which is carried out in accordance with a long-term plan and the advice of specialist architects. As landlord, the Trust has responsibility for site security, cleaning and maintenance throughout all public areas and external maintenance of the South Building and East, West and New Wings. The Hermitage Development Trust and the Gilbert Collection Trust assumed direct management responsibility for security, health and safety, maintenance and cleaning within their respective demises from August 2004. This clarification of responsibility allowed a joint contract for security to be agreed in early 2005.

In a building of the size and complexity of Somerset House, ensuring that all necessary maintenance is carried out to the highest standards is a substantial task, not least because all work must be scheduled around other activities. Public areas must be kept safe, secure and presentable at all times.

## Trustees Report (continued)

### For the year ended 31 March 2005

In 2004 a major project was completed consisting of external stone cleaning and redecoration of the New Wing as part of the rolling programme of maintenance and conservation. The vaults below Lancaster Place were also refurbished in order to create additional storage space for the Trust and its tenants and to improve access to this part of the site. In addition to the restoration of the first floor of the South Building, projects continuing during 2005 and into 2006 include much-needed repairs to the windows of the South Building and New and West Wings.

The Trust takes its environmental responsibilities seriously. In 2004 a joint project with the Inland Revenue was undertaken to investigate the potential benefits of implementing an environmental management system in accordance with ISO 14001. The first result is a new waste disposal contract for the whole site, separating recyclable white paper, glass and cardboard. Further investigations during 2005/06 will consider the potential benefits of a combined heat and power system yielding both reductions in carbon emissions and financial savings.

Looking ahead, in order to ensure that the best use is made of space under the Trust's control, the Board initiated an interim project for the South Building, consisting of restoration of the first floor, including re-creation of the large and striking 'Portico Room' above the Seamen's Hall, and refurbishment of the Salt Stair. Following completion of that project in early 2006, only the third floor of the South Building will remain as unused space. In due course, planning will follow for refurbishment of the third floor as well as the enhancement of visitor services in the South Building and for other wings as they become available to the Trust.

## **5 THE CULTURAL MISSION**

The Trust aims to provide an environment which will attract high-quality and high-profile cultural tenants to Somerset House in the coming years. This depends critically on suitable space becoming available for new tenants either in the South Building or in wings currently occupied by Her Majesty's Revenue and Customs. Consultations with potential partners are on-going with the intention of developing firm plans in the coming year. The Board has identified photography and the digital media as appropriate fields for a major new cultural presence to Somerset House.

### **Public Events**

One essential element in the Trust's mission is a wide ranging programme of live performances including new commissions making use of the Edmond J. Safra Fountain Court, including sometimes the fountains themselves, and of the hidden spaces including the beautiful light wells around the Courtyard. The Trustees endorsed a 3-year plan for expansion of the public events programme. The Board aims, where possible, for collaboration with the galleries on site to provide a multi-dimensional experience for the visitor.

The Trust runs events in order to attract new audiences to the building, to build its reputation for innovative commissions, and to provide fun and recreation of a high quality, combining the historic elegance of the building with the contemporary appeal of the events.

## Trustees Report (continued)

### For the year ended 31 March 2005

The events programme for Summer 2004 represented a further expansion on the previous year with 13 pop concerts, four days of the popular Free Time event for families and the Waterscapes Kathak dances in and around the fountains bringing new audiences. A new element was represented by the new site-specific theatrical performances *Don't Look Back* and *Aide Memoire* which explored the exciting hidden spaces of Somerset House. In all, the season attracted more than 75,000 people.

The Somerset House Ice Rink maintains its place as a highlight of London's winter. The Ice Rink was open for 10 weeks from the end of November until the end of January and attracted 120,000 skaters of all ages, bringing some 350,000 people in all to Somerset House during that period – a significant increase on the previous year, in spite of increased competition. The Ice Rink for the first time opened on New Year's Eve, in conjunction with the BBC broadcast from the Ice Rink and the Mayor's fireworks. Thanks to external funding, the programme of skating for schoolchildren and community groups was expanded and allowed over 3,000 people to skate free of charge.

The 3-year plans for both the Ice Rink and the Summer Events season aim for continued growth and innovation by bringing new events and expanding existing events to maintain a range of exciting events which appeal to a diverse audience.

#### **1604 Exhibition**

From May to July 2004 an exhibition in the Gilbert Collection, organised by the Trust, marked the four hundredth anniversary of the 1604 Somerset House Conference. Held in the original Tudor Somerset House palace, this conference brought an end to a generation's hostilities between England and Spain. Curated by Karen Hearn of Tate Britain, the exhibition focused on a remarkable picture that shows the delegates seated within a magnificently furnished interior. The image survives in two closely related painted versions, which were brought together for the first time, allowing important insights. The exhibition formed part of the wider celebration 'Talking Peace 1604', jointly organised with King's College London, and the Trust is grateful for substantial financial contributions from King's and from the Foreign & Commonwealth Office towards the costs of the exhibition.

## Trustees Report (continued)

### For the year ended 31 March 2005

#### **Education and Learning**

Education and learning are core purposes of the Trust and we are delighted with the dynamic programme of events managed by the Joint Education Department on behalf of all the cultural organisations at Somerset House including the Trust. The Department has achieved significant growth in the range, number and quality of activities. It has overseen over 700 events and has welcomed over 15,000 people from 3 year olds to lifelong learners. Most activities organised and managed by the Joint Education Department involve an introduction to Somerset House and its history, and then focus in more detail on specific areas – whether the building's architecture, its former uses or the different art collections housed at Somerset House. The schools programme has involved a growing number of schools from across London, attracting children of all backgrounds. Outreach programmes involving disadvantaged young people and adults have also been developed in line with the Trust's firm commitment to greater access to Somerset House for everyone. Future prospects for the education programme are exciting, with further development in the scope and range of activities offered. This growth in activity will require additional funding to ensure that we take full advantage of the momentum that has been established in the past year.

#### **6 SOMERSET HOUSE AS A VISITOR DESTINATION**

In 2004, Somerset House featured as one of London's top 10 free visitor attractions as promoted by Visit London and during the year more than one million visits to Somerset House took place. In order to assist visitors, the Trust provides guided tours, site maps and general information, signage around the site and seating facilities. The Trust funds these essential services through its own resources, since it receives no income directly from visitors other than for specific ticketed public events and activities. Somerset House relies largely on word of mouth recommendations and repeat visits, and its audience is mainly from London and surrounding areas. The reasons for visiting range from a specific desire to view one of the Collections to a more general intention simply to enjoy the architecture and the fountains by passing an hour or two in the Courtyard or on the River Terrace.

#### **Visitor Services**

Work was directed throughout the year to ensure that our services meet the high expectations of our visitors, and to merit continued accreditation by the English Tourism Council as 'Quality Assured Visitor Attraction'. The assessment considered that many of the services at Somerset House are of a benchmark standard but also identified some areas for improvement. The Trust organised and funded customer service training on a site-wide basis, so that all visitor-facing staff, whether security guards, cleaners or gallery curators, provide a consistent, informed and friendly welcome to visitors.

## Trustees Report (continued)

### For the year ended 31 March 2005

#### **Physical Access**

The Trust is committed to making Somerset House accessible to all visitors. In 2004 Part 3 of the Disability Discrimination Act ('DDA') came into effect; it requires that all physical barriers that make it impossible or unreasonably difficult for disabled people to access services must be removed or altered or a reasonable alternative provided. The Trust has coordinated an audit with tenants, including the Courtauld Institute of Art and Hermitage Rooms. The audit makes recommendations to ensure full compliance with all aspects of the DDA. Guidance on priorities identifies where access improvements can reasonably be made in the shorter term. Major improvements will be incorporated into planned refurbishment projects. The Trust acknowledges that the improvements must be the subject of full consultation with English Heritage, the Georgian Society and Westminster City Council's planning department. It will take time and resources to realise the plans fully.

#### **Marketing and Promotion of Somerset House**

The Trust invests in attracting visitors to the site and to its events through its own marketing budget and this is complemented by a joint marketing programme with the art galleries. The printed What's On guide was supplemented by direct advertising on a pilot basis. Visitors are also being encouraged to receive information by e-mail, allowing us to provide more frequent and up-to-date communication. The Somerset House website ([www.somerset-house.org.uk](http://www.somerset-house.org.uk)) continues to be an important source of information for the general public about forthcoming events.

The Trust recognises that after 5 years' operation some aspects of the way we present this historic and lovely building require refreshment. The Trust began a Strategic Brand Review, which will lead to a clearer brand identity. We are planning significant investment to implement the recommendations across all communication material and in particular to install stylish and informative signage.

The Board's aspiration that visitor numbers should rise to 2 million a year by 2010 will require new and diverse audiences and a further decisive step in opening up more of the site to the public to create new reasons to visit. To achieve this will require increased marketing and promotional activity, and significant enhancements to the way that the site is presented and the services provided to visitors. Market research is being carried out to inform planning and significant developments will include more direct advertising about all that Somerset House has to offer, further induction and on-going training for front-of-house staff, and a refreshed brand presence and signage as mentioned above. All of these initiatives are intended to increase visitor satisfaction which in turn will drive repeat visits and recommendations to others to visit.

## Trustees Report (continued)

### For the year ended 31 March 2005

#### **Volunteers**

The Trust has an active volunteer programme. The information desk located in the Seamen's Hall is staffed throughout the year by volunteers who provide up-to-date information to visitors. Volunteers contribute in other areas, such as assisting at outdoor events and working on a historical research programme which has been particularly productive during the year, and they make an important contribution to the activities of the Joint Education Department. The Trust continues to offer work placements, mostly for young people as part of their education. During the financial year, the Trust's volunteers collectively contributed time equivalent to some 1,400 working days with an estimated value of approximately £100,000. The Trustees greatly appreciate this contribution made by those who volunteer at Somerset House and thank them for their continuing support.

#### **7 COMMERCIAL ACTIVITIES**

Commercial activities during the year included corporate and private events, and hire of space for photography or filming. These activities are undertaken through the Trust's wholly-owned trading subsidiary, Somerset House Enterprises Limited.

The Corporate Events Department continues to promote the building and its galleries as an exclusive venue for entertaining. Working for the Trust, the Gilbert Collection, the Courtauld Institute of Art Gallery and the Hermitage Rooms, the Department is dedicated to ensuring that consistent best practice is delivered at all events whether organised for corporate entertaining, private events or for sponsors. In 2004/05, the Department sourced and managed over 200 events and nearly 35,000 guests attended receptions, dinners, launches and day events at Somerset House. The revenue generated helped to support the Trust's and the Collections' charitable activities. The Department expanded its activity on the Trust's behalf by using a newly refurbished suite of rooms adjacent to the Navy Board Room, and with exclusive preview events before the Ice Rink opened.

The Board closely monitors commercial activity, balancing the potential for income generation against the needs of public access and presentation of this historic building.

#### **8 MANAGEMENT**

Expansion of the Trust's activities has required growth in permanent staff numbers. This, together with the increasing complexity of employment legislation, has led the Trust to employ a professional human resources consultant to ensure that the Trust embodies good practice in recruiting, retaining and motivating its dedicated team.

## Trustees Report (continued)

For the year ended 31 March 2005

### 9 FUNDRAISING AND SPONSORSHIP

The Trust's assets, our magnificent Grade I listed building, the Courtyard and the River Terrace, are also our largest perpetual liabilities, and maintenance and conservation is the first call on our rental income. The Trust is dependent on external fundraising, notably to finance future phases of development of the site. During the year, the Trust received contributions towards the cost of the 4-day Free Time summer festival for families, and for free skating on the Ice Rink for schools and community groups. External funding allowed the innovative performances of 'Hidden Spaces' to play to critical acclaim and capacity audiences. Sponsorship of the Ice Rink by Coca Cola enabled the Trust to continue to improve the quality of the audience experience which makes the Somerset House Ice Rink unique. The Trust was also able, thanks to a generous grant, to commission a detailed options study for development of the South Building, an essential stage in our plans.

The Trust is very grateful to all of the following funders, whose contributions to have been vital to assist us in fulfilling our mission:

Arts Council  
Basil Samuel Charitable Trust  
Blacks  
Coca-Cola  
Ernst & Young  
Foreign & Commonwealth Office  
Greater London Authority  
John Lyon's Charity  
King's College London  
KPMG  
TSP (UK) Ltd

While much of the planned expansion of the Trust's activities will be self-financed, we will continue to depend on external funding for growth in some of our activities such as further expansion of the public events and education programmes, and major future redevelopment projects.

# Trustees Report (continued)

## For the year ended 31 March 2005

### **10 HEADLEASE AND UNDERLEASES WITH TENANTS**

#### **Headlease**

The Trust holds the whole estate of Somerset House on a headlease of 128 years from government, whose interests in this matter are represented by the Department for Culture, Media and Sport ("DCMS"). From 2002 to 2007, the Trust pays a Headlease rent to the DCMS at £80,000 per annum.

The original Headlease requires from September 2007 that the rent payable by the Trust should increase to 50% of gross rental income. Following discussions with the DCMS, the Trust reached agreement in principle after the year end to revise the Headlease so that the rent payable would remain at the current level of £80,000 a year, increasing in line with the retail price index.

#### **Underleases**

The Trust's largest tenant is Her Majesty's Revenue and Customs (formerly the Inland Revenue), which holds twenty-five year underleases of the New, West and East Wings of Somerset House from the Trust. These expire in 2022 although there is a break clause on the East Wing lease exercisable by the tenant alone in 2009. There is an option to renew the lease on the New and West Wings (but not the East wing) for a further 15 years from 2022. The income from these leases forms a large part of the Trust's operating income.

The Trust's other principal tenants are The Courtauld Institute of Art, The Gilbert Collection Trust and the Hermitage Development Trust, all of which operate art galleries which are open to the public throughout the year. As part of a 5-yearly rent review, agreement was reached during the year with the Courtauld Institute on revised rent on the Institute premises, with effect from July 2002. The Trust does not charge rent on gallery space, a policy reaffirmed by the Board during the year.

Other tenants who lease offices in the South Building include the Royal Society of Literature, the Getty Trust, the Clore Leadership Programme and the London Centre for Arts and Cultural Enterprise. Leith's has restaurant and café space in the South Building which is leased on commercial terms. Tenants contribute through a service charge to the shared costs of operating the site effectively and safely.

# Trustees Report (continued)

## For the year ended 31 March 2005

### 11 FINANCIAL STATEMENTS AND INTERNAL CONTROLS

The following commentary relates to the consolidated financial statements of Somerset House Trust and its sole subsidiary, Somerset House Enterprises Ltd.

#### **Incoming Resources**

Total income from all sources amounted to £6,796,000 (2003/04: £5,882,000), and was principally comprised of rental income and service charge contributions from the Trust's tenants and grants and donations. Income from activities in the furtherance of the Trust's objectives principally comprised service charge contributions from tenants which can only be applied towards the cost of running and maintaining the estate. Additional income arising under this heading included ticket income from the Trust's summer events and from the Ice Rink. Other income was earned by Somerset House Enterprises Limited from the letting of space for catering, corporate events and filming.

The growth in income was primarily due to further expansion of the public events programme and increased corporate entertaining activity. Rents and service charges payable by tenants are our main source of ongoing income and these increased both in line with the retail price index and following conclusion of the 2002 rent review on the Strand Block.

#### **Resources Expended**

The total of resources expended on the Trust's operations and management and in generating funds was £7,871,000 (2003/04: £6,713,000). The main area of expenditure is the management and conservation of the estate which is open to the public throughout the year. This is consistent with one of the Trust's primary objectives: to conserve Somerset House as a public building. The other significant area of expenditure was on the public events programme.

Other expenditure arose on the Trust's diverse activities in support of its aim to increase public enjoyment of the building, including visitor services, the wide-ranging education programme and the marketing of Somerset House and its Collections. Financing costs fell compared to the prior year, following further repayments of part of the Trust's bank loans.

#### **Assets and liabilities**

The value of the Trust's fixed assets declined during the year, with additional building works being offset by the amortisation and depreciation charges for the year. Debtors at the year end mainly represented amounts due from tenants in respect of rents and services provided to them by the Trust. The significant increase in the debtors balance compared to the previous year was mainly a result of delayed payment of rent and service charges by one tenant, this payment being received on 1 April 2005; this delay also led to an off-setting reduction in cash balances compared to the previous year-end.

## Trustees Report (continued)

### For the year ended 31 March 2005

Creditors payable within one year include bank loans repayable by 31 March 2006 of £915,000, as well as amounts due to purchase creditors and accruals for work completed prior to the year-end. Also included within creditors was deferred rental income which was received from tenants prior to the year-end but which relates to the period April to June 2005.

Creditors payable after more than one year relate entirely to other bank loan balances outstanding at the year end. The financial risk of borrowing has been managed by fixing the rate of interest payable on a substantial part of the Trust's borrowings as explained in note 10 to the accounts. The loan repayments were rescheduled after the year-end, with the repayment period extended to March 2011; this is explained further in note 10 to the accounts.

Although the Trust had net current liabilities on its funds at the year end, this arose solely because of loan repayments due to be made during the year ending 31 March 2006. Unrestricted cash balances were sound at the year end and are being used, together with on-going operating surpluses in the new financial year, to repay the Trust's bank loans in accordance with the current repayment schedule agreed with the bank.

Designated funds at the year end represent the net book value of building works and the amounts outstanding on loans taken out to fund those works. Restricted funds at the year end include the Maintenance and Service Charge Fund which is used to finance certain estates costs borne by the Trust on behalf of its tenants. Other restricted funds arose from fundraising activities and are intended to be used to support the costs of the Trust's public events and education programmes in 2005-06.

#### **Reserves Policy**

The majority of the Trust's assets are held as fixed assets and it is the Trust's policy to maintain a low level of net current assets, applying any surplus funds to the repayment of loan borrowings when possible. At 31 March 2005, free reserves (which exclude fixed assets, designated and restricted funds) were £210,000. The board regularly reviews the level of reserves held as well as cash flow forecasts to ensure that these are sufficient to meet the ongoing needs of the Trust. Given the regular and guaranteed nature of rental income, the Trustees are satisfied that the Trust has sufficient funds and financing in place to continue operating for the foreseeable future and to meet its obligations as they fall due.

#### **Internal Controls and Risk Management**

The Trustees are aware of their responsibility to ensure that effective internal controls are in place and operate effectively. Through the regular review of detailed management information and regular Board and Subcommittee meetings throughout the year, the Trustees have satisfied themselves that the internal controls in place are appropriate to the size and nature of the Trust's operations. The Trust's management reviews internal controls to ensure that they are adapted as needed in order to match changes in the Trust's activities.

## Trustees Report (continued)

For the year ended 31 March 2005

The Trustees have identified and examined the major risks to which the Trust is exposed and have, through the preparation and regular review of a risk register, established a system for monitoring these risks. Systems are in place to control and mitigate these risks in order to reduce them to an acceptable level, and these systems are monitored for effectiveness on a regular basis.

The Finance & Audit Subcommittee meets six times a year prior to the main Board meetings in order to consider in detail the latest management accounts and other financial reports, such as budget proposals and detailed statements of the financial performance of specific projects. The members of the Subcommittee during the year were:

Mr Robert Gillespie (Chairman)  
Sir Christopher Mallaby  
Mr Tony Elliott  
Mr Jeremy Hardie

### **Auditors**

On 23 May 2005, the Trust's auditors, PKF, transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the Trust consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly the audit report has been signed in the name of PKF (UK) LLP and a resolution for their reappointment as auditors will be proposed at the forthcoming annual general meeting.

**This report was approved by the Trustees on 14 September 2005.**



**Signed on behalf of the Board by  
Sir Christopher Mallaby, Chairman**

## Statement of Trustees' Responsibilities

Company law legislation requires the Trustees to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the charitable company and the group and of the surplus or deficit of the charitable company and the group for that period. In preparing those financial statements the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are also responsible for ensuring that the Trustees report and other information presented with the financial statements is prepared in accordance with company law in the United Kingdom.

## Miscellaneous Information

### Registered Address

Somerset House

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London

WC2R 1LA

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[info@somerset-house.org.uk](mailto:info@somerset-house.org.uk)

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### Auditors

PKF (UK) LLP

Farringdon Place

20 Farringdon Road

London

EC1M 3AP

### Bankers

National Westminster Bank Plc

Cavell House

2a Charing Cross Road

London

WC2H 0NN

### Principal Solicitors

Reed Smith

Minerva House

5 Montague Close

London

SE1 9BB

### Other Advisers

Adaptive Technologies Limited (website design and maintenance)

Aon Risk Services (insurance brokers)

Bolton and Quinn (public relations and press)

Dixon Jones (architects)

Denton Wilde Sapte (legal advice)

Jenny Waldman Arts Management (public events management)

Kinney Green Stanford Webster (estates advice)

Lynn Scrivener Marketing (marketing)

Sarah Eastel Locations (location hire)

Jane Wentworth Associates (branding)

Alan Robson of Feilden and Mawson is Surveyor of the Fabric

# Independent Auditors' Report

## Independent Auditors' Report To The Members Of Somerset House Trust

We have audited the financial statements of Somerset House Trust for the year ended 31 March 2005 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Trustees and auditors

The Trustees' responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Trustees' Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the group's and the charity's affairs as at 31 March 2005 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PKF(UK)LLP*

**PKF (UK) LLP**  
Registered Auditors  
London, UK

*22 by the way* 2005

**Consolidated Statement of Financial Activities**  
**For the year ended 31 March 2005**

|  | Notes | Unrestricted       |                    |                  |                   | 2004/2005          | 2003/2004          |
|--|-------|--------------------|--------------------|------------------|-------------------|--------------------|--------------------|
|  |       | General            | Designated         | Restricted       | Endowment         | Total              | Total              |
|  |       | £                  | £                  | £                | £                 | £                  |                    |
| <b>INCOMING RESOURCES</b>  |       |                    |                    |                  |                   |                    |                    |
| <u>Donations, legacies and similar incoming resources</u>            |       |                    |                    |                  |                   |                    |                    |
| Other Grants and Donations   |       | 500                | -                  | 158,554          | -                 | 159,054            | 137,000            |
|  |       | 500                | -                  | 158,554          | -                 | 159,054            | 137,000            |
| <u>Incoming resources from operating activities</u>                  |       |                    |                    |                  |                   |                    |                    |
| <i>Activities in furtherance of the charity's objects:</i>           |       |                    |                    |                  |                   |                    |                    |
| Service charge Income  |       | 158,074            | -                  | 1,327,548        | -                 | 1,485,622          | 1,410,427          |
| Public Events  |       | 1,600,778          | -                  | -                | -                 | 1,600,778          | 1,212,930          |
| Miscellaneous income   |       | 15,178             | -                  | -                | -                 | 15,178             | 9,361              |
|  |       | 1,774,030          | -                  | 1,327,548        | -                 | 3,101,578          | 2,632,718          |
| <i>Activities for generating funds:</i>                              |       |                    |                    |                  |                   |                    |                    |
| Rental Income  |       | 2,778,305          | -                  | -                | -                 | 2,778,305          | 2,570,146          |
| Concessions and venue hire   |       | 590,973            | -                  | -                | -                 | 590,973            | 463,490            |
| Sponsorship  |       | 93,200             | -                  | -                | -                 | 93,200             | -                  |
|  |       | 3,462,478          | -                  | -                | -                 | 3,462,478          | 3,033,636          |
| <u>Investment income</u>   |       |                    |                    |                  |                   |                    |                    |
| Bank interest receivable   |       | 57,405             | -                  | 15,083           | -                 | 72,488             | 78,796             |
| <b>Total incoming resources</b>                                      |       | <b>5,294,413</b>   | <b>-</b>           | <b>1,501,185</b> | <b>-</b>          | <b>6,795,598</b>   | <b>5,882,150</b>   |
| <b>RESOURCES EXPENDED</b>  |       |                    |                    |                  |                   |                    |                    |
| <u>Costs of generating funds</u>                                     |       |                    |                    |                  |                   |                    |                    |
| Fundraising costs  | 2     | (31,512)           | -                  | -                | -                 | (31,512)           | (2,734)            |
| Concessions and venue hire   | 2     | (427,034)          | -                  | -                | -                 | (427,034)          | (371,559)          |
| Sponsorship  | 2     | (18,549)           | -                  | -                | -                 | (18,549)           | -                  |
|  |       | (477,095)          | -                  | -                | -                 | (477,095)          | (374,293)          |
| <u>Charitable expenditure</u>  |       |                    |                    |                  |                   |                    |                    |
| <i>Costs of activities in furtherance of the charity's objects:</i>  |       |                    |                    |                  |                   |                    |                    |
| Property management and conservation                                 | 2     | (917,522)          | (1,625,258)        | (688,403)        | (994,893)         | (4,226,076)        | (3,916,720)        |
| Visitor services   | 2     | (167,764)          | -                  | -                | -                 | (167,764)          | (191,663)          |
| Public education   | 2     | (103,981)          | -                  | -                | -                 | (103,981)          | (75,953)           |
| Public events  | 2     | (1,839,806)        | -                  | (125,000)        | -                 | (1,964,806)        | (1,329,733)        |
| Communication and marketing  | 2     | (272,649)          | -                  | -                | -                 | (272,649)          | (211,426)          |
| Support activities   | 2     | (323,737)          | -                  | -                | -                 | (323,737)          | (212,416)          |
|  |       | (3,625,459)        | (1,625,258)        | (813,403)        | (994,893)         | (7,059,013)        | (5,937,911)        |
| <i>Resources expended on managing and administering the charity:</i> |       |                    |                    |                  |                   |                    |                    |
| Management and administration  | 2     | (166,015)          | -                  | (38,299)         | -                 | (204,314)          | (168,782)          |
| Bank interest payable  | 2     | -                  | (131,075)          | -                | -                 | (131,075)          | (232,231)          |
|  |       | (166,015)          | (131,075)          | (38,299)         | -                 | (335,389)          | (401,013)          |
| <b>Total Resources Expended</b>                                      |       | <b>(4,268,569)</b> | <b>(1,756,333)</b> | <b>(851,702)</b> | <b>(994,893)</b>  | <b>(7,871,497)</b> | <b>(6,713,217)</b> |
| <b>Net Incoming / (Outgoing) Resources</b>                           |       | <b>1,025,844</b>   | <b>(1,756,333)</b> | <b>649,483</b>   | <b>(994,893)</b>  | <b>(1,075,899)</b> | <b>(831,067)</b>   |
| <u>Transfers Between Funds</u>                                       |       |                    |                    |                  |                   |                    |                    |
| Financing  | 12    | (931,075)          | 931,075            | -                | -                 | -                  | -                  |
| Other  | 12    | (5,161)            | 756,863            | (751,702)        | -                 | -                  | -                  |
|  |       | (936,236)          | 1,687,938          | (751,702)        | -                 | -                  | -                  |
| <b>Net movement in funds for the year</b>                            |       | <b>89,608</b>      | <b>(68,395)</b>    | <b>(102,219)</b> | <b>(994,893)</b>  | <b>(1,075,899)</b> | <b>(831,067)</b>   |
| <b>Total funds brought forward at 1 April 2004</b>                   |       | <b>129,416</b>     | <b>24,405,062</b>  | <b>570,201</b>   | <b>15,165,982</b> | <b>40,270,661</b>  | <b>41,101,728</b>  |
| <b>Total funds carried forward at 31 March 2005</b>                  |       | <b>219,024</b>     | <b>24,336,667</b>  | <b>467,982</b>   | <b>14,171,089</b> | <b>39,194,762</b>  | <b>40,270,661</b>  |

The accompanying notes form an integral part of these financial statements. All of the above income and expenditure derives from continuing activities. There were no other realised gains or losses during the year.

## Consolidated Balance Sheet As at 31 March 2005

|   | Notes | Unrestricted          |                          | Restricted<br>£       | Endowment<br>£           | 2005 Total<br>£          | 2004 Total<br>£          |
|---|-------|-----------------------|--------------------------|-----------------------|--------------------------|--------------------------|--------------------------|
|   |       | General<br>£          | Designated<br>£          |                       |                          |                          |                          |
| <b>FIXED ASSETS</b>                                     |       |                       |                          |                       |                          |                          |                          |
| Tangible fixed assets                                   | 4     | 9,469                 | 26,536,667               | -                     | 14,171,089               | <b>40,717,225</b>        | 42,588,375               |
|   |       | <u>9,469</u>          | <u>26,536,667</u>        | <u>-</u>              | <u>14,171,089</u>        | <u><b>40,717,225</b></u> | <u>42,588,375</u>        |
| <b>CURRENT ASSETS</b>                                   |       |                       |                          |                       |                          |                          |                          |
| Stocks  | 6     | -                     | -                        | -                     | -                        | -                        | 1,003                    |
| Debtors   | 7     | 1,615,190             | -                        | 354,164               | -                        | <b>1,969,354</b>         | 666,853                  |
| Short term deposits                                     |       | 486,389               | -                        | 663,611               | -                        | <b>1,150,000</b>         | 2,381,627                |
| Cash at bank and in hand                                |       | 307,667               | -                        | 48,864                | -                        | <b>356,531</b>           | 104,990                  |
|   |       | <u>2,409,246</u>      | <u>-</u>                 | <u>1,066,639</u>      | <u>-</u>                 | <u><b>3,475,885</b></u>  | <u>3,154,473</u>         |
| <b>CURRENT LIABILITIES</b>                              |       |                       |                          |                       |                          |                          |                          |
| Creditors: amounts falling due within one year          | 8     | (2,199,691)           | (915,000)                | (598,657)             | -                        | <b>(3,713,348)</b>       | (3,272,187)              |
| <b>NET CURRENT ASSETS / (LIABILITIES)</b>               |       | <u>209,555</u>        | <u>(915,000)</u>         | <u>467,982</u>        | <u>-</u>                 | <u><b>(237,463)</b></u>  | <u>(117,714)</u>         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |       | <u>219,024</u>        | <u>25,621,667</u>        | <u>467,982</u>        | <u>14,171,089</u>        | <u><b>40,479,762</b></u> | <u>42,470,661</u>        |
| Creditors: amounts falling due after more than one year | 9     | -                     | (1,285,000)              | -                     | -                        | <b>(1,285,000)</b>       | (2,200,000)              |
| <b>NET ASSETS</b>                                       |       | <u><b>219,024</b></u> | <u><b>24,336,667</b></u> | <u><b>467,982</b></u> | <u><b>14,171,089</b></u> | <u><b>39,194,762</b></u> | <u><b>40,270,661</b></u> |
| <b>FUNDS</b>  |       |                       |                          |                       |                          |                          |                          |
| Unrestricted funds                                      |       |                       |                          |                       |                          |                          |                          |
| General funds   | 12    | 219,024               | -                        | -                     | -                        | <b>219,024</b>           | 129,416                  |
| Designated funds  | 12    | -                     | 24,336,667               | -                     | -                        | <b>24,336,667</b>        | 24,405,062               |
| Restricted funds  | 12    | -                     | -                        | 467,982               | -                        | <b>467,982</b>           | 570,201                  |
| Endowment fund  | 12    | -                     | -                        | -                     | 14,171,089               | <b>14,171,089</b>        | 15,165,982               |
|   |       | <u><b>219,024</b></u> | <u><b>24,336,667</b></u> | <u><b>467,982</b></u> | <u><b>14,171,089</b></u> | <u><b>39,194,762</b></u> | <u><b>40,270,661</b></u> |

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

These financial statements were approved by the Board of Trustees on 14 September 2005

Signed on behalf of the Board of Trustees



**Sir Christopher Mallaby**  
Chairman

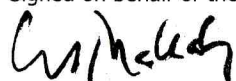
## Charity Balance Sheet As at 31 March 2005

| Notes   | Unrestricted |                 | Restricted<br>£ | Endowment<br>£ | 2005 Total<br>£ | 2004 Total<br>£ |             |
|---|--------------|-----------------|-----------------|----------------|-----------------|-----------------|-------------|
|   | General<br>£ | Designated<br>£ |                 |                |                 |                 |             |
| <b>FIXED ASSETS</b>                                     |              |                 |                 |                |                 |                 |             |
| Tangible fixed assets                                   | 4            | 9,469           | 26,536,667      | -              | 14,171,089      | 40,717,225      | 42,588,375  |
| Investments   | 5            | 1               | -               | -              | -               | 1               | 1           |
|   |              | 9,470           | 26,536,667      | -              | 14,171,089      | 40,717,226      | 42,588,376  |
| <b>CURRENT ASSETS</b>                                   |              |                 |                 |                |                 |                 |             |
| Debtors   | 7            | 1,647,207       | -               | 354,164        | -               | 2,001,371       | 604,295     |
| Short term deposits                                     |              | 486,389         | -               | 663,611        | -               | 1,150,000       | 2,381,627   |
| Cash at bank and in hand                                |              | 80,302          | -               | 48,864         | -               | 129,166         | 49,650      |
|   |              | 2,213,898       | -               | 1,066,639      | -               | 3,280,537       | 3,035,572   |
| <b>CURRENT LIABILITIES</b>                              |              |                 |                 |                |                 |                 |             |
| Creditors: amounts falling due within one year          | 8            | (2,015,744)     | (915,000)       | (598,657)      | -               | (3,529,401)     | (3,159,687) |
| <b>NET CURRENT ASSETS/ (LIABILITIES)</b>                |              | 198,154         | (915,000)       | 467,982        | -               | (248,864)       | (124,115)   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |              | 207,624         | 25,621,667      | 467,982        | 14,171,089      | 40,468,362      | 42,464,261  |
| Creditors: amounts falling due after more than one year | 9            | -               | (1,285,000)     | -              | -               | (1,285,000)     | (2,200,000) |
| <b>NET ASSETS</b>                                       |              | 207,624         | 24,336,667      | 467,982        | 14,171,089      | 39,183,362      | 40,264,261  |
| <b>FUNDS</b>  |              |                 |                 |                |                 |                 |             |
| Unrestricted funds                                      |              |                 |                 |                |                 |                 |             |
| General funds   |              | 207,624         | -               | -              | -               | 207,624         | 123,016     |
| Designated funds  |              | -               | 24,336,667      | -              | -               | 24,336,667      | 24,405,062  |
| Restricted funds  |              | -               | -               | 467,982        | -               | 467,982         | 570,201     |
| Endowment fund  |              | -               | -               | -              | 14,171,089      | 14,171,089      | 15,165,982  |
|   |              | 207,624         | 24,336,667      | 467,982        | 14,171,089      | 39,183,362      | 40,264,261  |

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

These financial statements were approved by the Board of Trustees on 14 September 2005.

Signed on behalf of the Board of Trustees



**Sir Christopher Mallaby**  
Chairman

## Consolidated Cash Flow Statement For the year ended 31 March 2005

|  | Notes    | 2004/2005<br>Total<br>£ | 2003/2004<br>Total<br>£ |
|--|----------|-------------------------|-------------------------|
| Net cash inflow from operating activities              | A        | 639,994                 | 3,395,592               |
| <u>Returns on investments and servicing of finance</u> |          |                         |                         |
| Interest received                                      |          | 72,488                  | 78,796                  |
| Interest paid  |          | (131,075)               | (232,231)               |
| <u>Capital expenditure</u>                             |          |                         |                         |
| Payments to acquire tangible fixed assets              |          | (761,493)               | (1,654,503)             |
| <u>Management of liquid resources</u>                  |          |                         |                         |
| Sale/(Purchase) of short-term deposits                 | B        | 1,231,627               | (881,627)               |
| <u>Financing</u>                                       |          |                         |                         |
| Decrease in loans                                      | B        | (800,000)               | (1,300,000)             |
| <b>Increase/(Decrease) in cash</b>                     | <b>C</b> | <b><u>251,541</u></b>   | <b><u>(593,973)</u></b> |

## Notes to the Cash Flow Statement For the year ended 31 March 2005

### NOTE A

#### Reconciliation of net incoming resources to net cash inflow from operating activities

|   | 2004/2005             | 2003/2004               |
|---|-----------------------|-------------------------|
|   | £                     | £                       |
| Net (Outgoing)/Incoming Resources before interest | (1,017,312)           | (677,632)               |
| Depreciation and amortisation                     | 2,632,643             | 2,527,977               |
| Decrease in Stocks                                | 1,003                 | 7,811                   |
| (Increase)/Decrease in Debtors                    | (1,302,501)           | 1,483,372               |
| Increase in Creditors                             | 326,161               | 54,064                  |
| Net cash inflow from operating activities         | <u><u>639,994</u></u> | <u><u>3,395,592</u></u> |

### NOTE B

#### Reconciliation of net cash flow to changes in net debt

|   | 2004/2005               | 2003/2004               |
|---|-------------------------|-------------------------|
|   | £                       | £                       |
| Increase/(Decrease) in cash in the period | 251,541                 | (593,973)               |
| (Sale)/Purchase of short-term deposits    | (1,231,627)             | 881,627                 |
| Loans repaid                              | 800,000                 | 1,300,000               |
| Change in net debt                        | <u>(180,086)</u>        | <u>1,587,654</u>        |
| Net debt at 1 April                       | (513,383)               | (2,101,037)             |
| Net debt at 31 March                      | <u><u>(693,469)</u></u> | <u><u>(513,383)</u></u> |

### NOTE C

#### Analysis of changes in net debt

|   | At 1 April<br>2004      | Cash Flows              | At 31 March<br>2005     |
|---|-------------------------|-------------------------|-------------------------|
|   | £                       | £                       | £                       |
| Cash at bank and in hand                      | 104,990                 | 251,541                 | 356,531                 |
| Short term deposits                           | 2,381,627               | (1,231,627)             | 1,150,000               |
| Bank loans repayable within one year          | (800,000)               | (115,000)               | (915,000)               |
| Bank loans repayable after more than one year | (2,200,000)             | 915,000                 | (1,285,000)             |
| Net debt                                      | <u><u>(513,383)</u></u> | <u><u>(180,086)</u></u> | <u><u>(693,469)</u></u> |

# Notes to the Accounts

## For the year ended 31 March 2005

### 1 ACCOUNTING POLICIES

#### a) Basis of preparation of accounts

These financial statements have been prepared under the historical cost convention and in accordance with the reporting requirements of the Companies Act 1985, applicable accounting standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued by the Charity Commission in October 2000.

The Statement of Financial Activities (SOFA) and balance sheet consolidate the financial statements of the Trust and of its subsidiary undertaking, Somerset House Enterprises Ltd. The results of the subsidiary are consolidated on a line-by-line basis.

The Trust has availed itself of Paragraph 3(3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the Trust's activities. No separate SOFA has been presented for the Trust alone as permitted by section 230 of the Companies Act 1985 and by paragraph 304 of the SORP.

#### b) Incoming Resources

Income is recognised in the financial statements when the Trust or its subsidiary are legally entitled to the income and the amount can be quantified with reasonable accuracy. Grants received are recognised when the conditions for receipt have been met. Where grants are specially restricted to future accounting periods, they are deferred and recognised in the relevant accounting period. Grants for immediate financial support and assistance, or to reimburse costs previously incurred, are recognised immediately. Donated items and facilities, in as much as they are material and quantifiable, are recognised as income when receivable, on the basis of their estimated value to the charity. No amounts have been included in the financial statements for services donated by volunteers.

#### c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, including any incidental expenses of acquisition or at valuation. Depreciation is calculated to write off the cost of the asset on a straight line basis over the estimated useful life of the asset. Depreciation is charged for a full year in the year of acquisition, and not in the year of disposal, if applicable.

#### *Valuation and Amortisation of Leases*

No value has been attributed to the Headlease dated 11 December 1997, for 128 years, between Somerset House Trust and the Secretary of State for the Environment, Transport and the Regions.

The value attributed to the underlease between Somerset House Trust and the Inland Revenue represents the net present value of the rental income due to the Trust over the term of the lease, using a discount rate of 6%. The Inland Revenue underlease is for the New, West and East Wings and has a twenty-five year term ending in 2022. A break clause on the East Wing lease is exercisable by the tenant only in 2009. Rent due by the Trust to the government under the Headlease, representing 25% of gross revenue after five years and 50% after ten, has been deducted in arriving at the net present value. An agreement reached with the Government in 2000 to reduce the Headlease rentals payable by £1,700,000 has also been taken into account in valuing the lease.

The difference between the current valuation of the underlease and its valuation at the previous year end is taken to the financial statements as the amortisation charge for the year.

#### *Capital building works*

The costs of significant building works to the South and Embankment buildings, the Courtyard and the River Terrace which were undertaken between 1998 and 2000 are capitalised and depreciated over 25 years, based on the Trustees' view of their average expected useful working life. Although there is no expectation of earning a full commercial return, these parts of the building work are capitalised to represent the Trust's investment in its charitable objects.

## Notes to the Accounts (continued) For the year ended 31 March 2005

Building works to parts of the estate occupied and used solely by tenants which have been carried out by the Trust as part of the expenditure on the Service Charge fund are written off over a period of 10 years.

### *Depreciation and amortisation*

Depreciation is charged on a straight-line basis over the estimated useful life of the assets, as follows:

|   |          |
|---|----------|
| Capitalised building works (public areas)   | 25 years |
| Capitalised building works (tenants' areas) | 10 years |
| Fixtures, fittings and equipment            | 3 years  |

The underlease is amortised as set out above, under Valuation and Amortisation of Leases.

### d) Resources Expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to specific areas of activity undertaken by the Trust and its subsidiary. Where costs cannot be directly attributed, they have been allocated to an activity on a basis consistent with use of those resources. Support Costs are those costs incurred directly in support of expenditure on the objects of the charity. Management and Administration costs are those costs incurred in connection with the administration of the charity and compliance with constitutional, statutory and other obligations. Bank interest is payable on loans which have been used to finance the Trust's capital projects.

### e) Fund accounting

Unrestricted General Funds comprise accumulated surpluses and deficits on general funds and are available for use at the Trustees' discretion in furtherance of the general charitable objectives. Designated funds are unrestricted funds which have been set aside by the Trustees for a particular purpose, as explained in Note 11.

Restricted funds consist of amounts subject to specific restrictions, within the objects of the charity, imposed by the donor or arising from contractual obligations. The Maintenance and Service Charge Fund was set up to comply with the terms of the underlease between Somerset House Trust and its tenants. Other Restricted Funds reflect restricted income and expenditure in other areas of activity other than those included in the Maintenance and Service Charge Fund.

The Endowment Fund represents the value attributed to the underlease as explained in accounting policy 1(c).

### f) Pension costs

Contributions are made to employees' personal pension plans and these are accounted for on an accruals basis. There is no company pension plan.

### g) Stocks

Stocks consist of goods purchased for resale by the Trust's subsidiary. All stocks are valued at the lower of cost and net realisable value.

Notes to the accounts (continued)  
For the year ended 31 March 2005

**2 ANALYSIS OF RESOURCES EXPENDED**

|  | Staff Costs           | Direct Costs            | Overheads               | 2004/2005<br>Total      | 2003/2004<br>Total      |
|--|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|  | £                     | £                       | £                       | £                       | £                       |
| <u>Costs of generating funds</u>                                     |                       |                         |                         |                         |                         |
| Fundraising costs  | 23,774                | 7,738                   | -                       | 31,512                  | 2,734                   |
| Hire of space  | 43,672                | 262,296                 | 121,066                 | 427,034                 | 371,559                 |
| Sponsorship  | 13,962                | 4,587                   | -                       | 18,549                  | -                       |
|  | <u>81,408</u>         | <u>274,621</u>          | <u>121,066</u>          | <u>477,095</u>          | <u>374,293</u>          |
| <u>Charitable expenditure</u>  |                       |                         |                         |                         |                         |
| <i>Costs of activities in furtherance of the charity's objects:</i>  |                       |                         |                         |                         |                         |
| Charitable Grants  | -                     | -                       | -                       | -                       | -                       |
| Property management and conservation                                 | 97,485                | 1,410,203               | 2,718,388               | 4,226,076               | 3,916,720               |
| Visitor services   | 107,838               | 57,443                  | 2,483                   | 167,764                 | 191,663                 |
| Public education   | -                     | 103,981                 | -                       | 103,981                 | 75,953                  |
| Public events  | 155,809               | 1,764,833               | 44,164                  | 1,964,806               | 1,329,733               |
| Communication and marketing  | 52,527                | 203,665                 | 16,457                  | 272,649                 | 211,426                 |
| Support activities   | 203,912               | 41,725                  | 78,100                  | 323,737                 | 212,416                 |
|  | <u>617,571</u>        | <u>3,581,850</u>        | <u>2,859,592</u>        | <u>7,059,013</u>        | <u>5,937,911</u>        |
| <i>Resources expended on managing and administering the charity:</i> |                       |                         |                         |                         |                         |
| Management and administration  | 71,645                | 18,639                  | 114,030                 | 204,314                 | 168,782                 |
| Bank interest payable  | -                     | 131,075                 | -                       | 131,075                 | 232,231                 |
|  | <u>71,645</u>         | <u>149,714</u>          | <u>114,030</u>          | <u>335,389</u>          | <u>401,013</u>          |
| <b>Total Resources Expended</b>                                      | <u><b>770,624</b></u> | <u><b>4,006,185</b></u> | <u><b>3,094,688</b></u> | <u><b>7,871,497</b></u> | <u><b>6,713,217</b></u> |

**3 NET INCOMING RESOURCES**

|   | 2004/2005<br>£          | 2003/2004<br>£          |
|---|-------------------------|-------------------------|
| Net incoming resources are stated after charging the following: |                         |                         |
| Auditors' Fees:   |                         |                         |
| - for audit work  | 14,500                  | 13,280                  |
| - for non-audit work  | 1,551                   | 1,502                   |
| Depreciation:   |                         |                         |
| - land and buildings  | 2,620,151               | 2,493,585               |
| - other   | 12,492                  | 34,392                  |
|   | <u><u>2,632,643</u></u> | <u><u>2,521,569</u></u> |

Notes to the accounts (continued)  
For the year ended 31 March 2005

**4 TANGIBLE FIXED ASSETS**

|                                 | <i>Charity and Group</i>    |                          |   | <b>Total</b>             |
|---------------------------------|-----------------------------|--------------------------|---|--------------------------|
|                                 | <b>Inland Revenue Lease</b> | <b>Building Works</b>    | <b>Fixtures, fittings &amp; equipment</b> |                          |
|                                 | £                           | £                        | £   | £                        |
| <u>Cost</u>                     |                             |                          |   |                          |
| At 1 April 2004                 | 21,160,710                  | 34,089,207               | 232,429                                   | 55,482,346               |
| Additions                       | -                           | 756,863                  | 4,630                                     | 761,493                  |
| At 31 March 2005                | <u>21,160,710</u>           | <u>34,846,070</u>        | <u>237,059</u>                            | <u>56,243,839</u>        |
| <u>Accumulated depreciation</u> |                             |                          |   |                          |
| At 1 April 2004                 | 5,994,728                   | 6,684,145                | 215,098                                   | 12,893,971               |
| Charge for the year             | 994,893                     | 1,625,258                | 12,492                                    | 2,632,643                |
| At 31 March 2005                | <u>6,989,621</u>            | <u>8,309,403</u>         | <u>227,590</u>                            | <u>15,526,614</u>        |
| <u>Net book value</u>           |                             |                          |   |                          |
| <b>At 31 March 2005</b>         | <u><b>14,171,089</b></u>    | <u><b>26,536,667</b></u> | <u><b>9,469</b></u>                       | <u><b>40,717,225</b></u> |
| At 31 March 2004                | <u>15,165,982</u>           | <u>27,405,062</u>        | <u>17,331</u>                             | <u>42,588,375</u>        |

All tangible fixed assets belong to the charity and are held for continuing use by the Trust in furthering its objects.

**5 INVESTMENTS**

|                                      | <i>Charity</i>  |
|--------------------------------------|-----------------|
|                                      | £               |
| At 1 April 2004 and at 31 March 2005 | <u><u>1</u></u> |

The Trust owns the whole of the issued ordinary share capital of Somerset House Enterprises Ltd, a company registered in England. The subsidiary carries out non-primary purpose trading activities, managing corporate events and non-tax exempt activities including corporate sponsorships. All activities of the subsidiary have been consolidated on a line-by-line basis in the Statement of Financial Activities. A summary of the results of the subsidiary is shown below.

|   | <b>2004/2005</b>     | <b>2003/2004</b>    |
|---|----------------------|---------------------|
|   | £                    | £                   |
| <u>Somerset House Enterprises Limited</u> |                      |                     |
| Turnover                                  | 838,615              | 642,870             |
| Cost of Sales                             | (481,497)            | (433,091)           |
| Gross Profit                              | <u>357,118</u>       | <u>209,779</u>      |
| Administrative Expenses                   | (73,819)             | (70,862)            |
| Operating Profit                          | <u>283,299</u>       | <u>138,917</u>      |
| Gift aid donation to charity              | (278,299)            | (137,517)           |
| <b>Result for the year</b>                | <u><b>5,000</b></u>  | <u><b>1,400</b></u> |
| Retained profit brought forward           | 6,400                | 5,000               |
| <b>Retained profit carried forward</b>    | <u><b>11,400</b></u> | <u><b>6,400</b></u> |

The aggregate of the assets, liabilities and funds was:

|              | <b>31 March 2005</b> | <b>31 March 2004</b> |
|--------------|----------------------|----------------------|
| Assets       | 369,753              | 231,489              |
| Liabilities  | (358,352)            | (225,088)            |
| <b>Funds</b> | <u><b>11,401</b></u> | <u><b>6,401</b></u>  |

Notes to the accounts (continued)  
For the year ended 31 March 2005

| <b>6 STOCKS</b>           | <i>Charity</i><br>31 March<br>2005<br>£ | <i>Charity</i><br>31 March<br>2004<br>£ | <i>Group</i><br>31 March<br>2005<br>£ | <i>Group</i><br>31 March<br>2004<br>£ |
|---------------------------|---|---|---------------------------------------|---------------------------------------|
| Finished goods for resale | -                                       | -                                       | -                                     | <u>1,003</u>                          |

| <b>7 DEBTORS</b>                    | <i>Charity</i><br>31 March<br>2005<br>£ | <i>Charity</i><br>31 March<br>2004<br>£ | <i>Group</i><br>31 March<br>2005<br>£ | <i>Group</i><br>31 March<br>2004<br>£ |
|-------------------------------------|---|---|---------------------------------------|---------------------------------------|
| Trade debtors                       | 1,619,489                               | 216,771                                 | 1,740,237                             | 366,949                               |
| Other debtors                       | 162,264                                 | 205,753                                 | 183,904                               | 229,603                               |
| Amounts due from subsidiary company | 174,404                                 | 112,588                                 | -                                     | -                                     |
| Prepayments and accrued income      | 45,213                                  | 69,183                                  | 45,213                                | 70,301                                |
|                                     | <u>2,001,370</u>                        | <u>604,295</u>                          | <u>1,969,354</u>                      | <u>666,853</u>                        |

| <b>8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b> | <i>Charity</i><br>31 March<br>2005<br>£ | <i>Charity</i><br>31 March<br>2004<br>£ | <i>Group</i><br>31 March<br>2005<br>£ | <i>Group</i><br>31 March<br>2004<br>£ |
|---|---|---|---------------------------------------|---------------------------------------|
| Bank loans repayable within one year                    | 915,000                                 | 800,000                                 | 915,000                               | 800,000                               |
| Purchase creditors and accruals                         | 1,439,196                               | 1,228,521                               | 1,482,997                             | 1,247,294                             |
| Other creditors, including taxation and social security | 218,489                                 | 202,352                                 | 231,500                               | 237,370                               |
| Deferred income   | 956,716                                 | 928,814                                 | 1,083,851                             | 987,523                               |
|   | <u>3,529,401</u>                        | <u>3,159,687</u>                        | <u>3,713,348</u>                      | <u>3,272,187</u>                      |

| <b>9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> | <i>Charity and Group</i> |                       |
|--|--------------------------|-----------------------|
|  | 31 March<br>2005<br>£    | 31 March<br>2004<br>£ |
| Bank loans repayable after more than one year                    | <u>1,285,000</u>         | <u>2,200,000</u>      |

| <b>10 BANK LOANS</b>         | <i>Charity and Group</i> |                       |
|------------------------------|--------------------------|-----------------------|
|                              | 31 March<br>2005<br>£    | 31 March<br>2004<br>£ |
| Amounts repayable:           |                          |                       |
| - within one year            | 915,000                  | 800,000               |
| - between one and two years  | 1,285,000                | 915,000               |
| - between two and five years | -                        | 1,285,000             |
|                              | <u>2,200,000</u>         | <u>3,000,000</u>      |

The Trust's bank loans, all of which are unsecured, were taken out in order to finance the programme of building works during 1999 and 2000. At the year end, £1,400,000 of the borrowings bore fixed rates of interest. All other loan facilities bear a variable rate of interest linked to LIBOR.

After the year end, new loan facilities of £2,050,000 were agreed with the Trust's bankers to be used to finance the scheduled repayments on the existing loans. The effect of this revision has been to reduce the amount repayable by 31 March 2006 to £150,000 and to extend the overall repayment period for these loans to March 2011. This rescheduling of the loan repayments was arranged to release cash to finance various building works and other projects to be undertaken by the Trust between 2005 and 2008.

The new loan facilities were agreed on the basis of an agreement reached with the Department for Culture, Media and Sport to revise the terms of the Headlease, as explained in Note 11.

**11 POST BALANCE SHEET EVENT**

Following discussions with the DCMS, the Trust reached agreement in principle after the year end to revise the Headlease so that the rent payable would remain at the current level of £80,000 a year, increasing in line with the retail price index.

Notes to the accounts (continued)  
For the year ended 31 March 2005

12 STATEMENT OF FUNDS

|                                     | At 1 April<br>2004<br>£  | Incoming<br>Resources<br>£ | Resources<br>Expended<br>£ | Fund<br>Transfers<br>£ | 31 March<br>2005<br>£    |
|-------------------------------------|--------------------------|----------------------------|----------------------------|------------------------|--------------------------|
| <u>Unrestricted funds</u>           |                          |                            |                            |                        |                          |
| General funds                       | 129,416                  | 5,294,413                  | (4,268,569)                | (936,236)              | 219,024                  |
| Designated funds                    | 24,405,062               | -                          | (1,756,333)                | 1,687,938              | 24,336,667               |
| Total unrestricted funds            | <u>24,534,478</u>        | <u>5,294,413</u>           | <u>(6,024,902)</u>         | <u>751,702</u>         | <u>24,555,691</u>        |
| <u>Restricted funds</u>             |                          |                            |                            |                        |                          |
| Maintenance and service charge fund | 300,772                  | 1,342,631                  | (726,702)                  | (657,890)              | 258,811                  |
| Other restricted funds              | 269,429                  | 158,554                    | (125,000)                  | (93,812)               | 209,171                  |
| Total restricted funds              | <u>570,201</u>           | <u>1,501,185</u>           | <u>(851,702)</u>           | <u>(751,702)</u>       | <u>467,982</u>           |
| Endowment Fund                      | <u>15,165,982</u>        | -                          | <u>(994,893)</u>           | -                      | <u>14,171,089</u>        |
| <b>Total funds</b>                  | <b><u>40,270,661</u></b> | <b><u>6,795,598</u></b>    | <b><u>(7,871,497)</u></b>  | <b><u>-</u></b>        | <b><u>39,194,762</u></b> |

Designated funds represent the net book value of building works and the amounts outstanding on the bank loans taken out to fund those works. The fund has been established to identify those unrestricted funds held by the Trust which are not free funds. The fund balance increases to reflect the value of further building works undertaken during the year and repayments of the bank loans. The depreciation on the building works and the interest payable on the bank loans are charged to this fund.

The Maintenance and Service Charge Fund represents service charge payments received from tenants which can only be applied in accordance with the terms of their leases with the Trust, and the costs of the provision of shared services such as external security and cleaning as well as maintenance and other works to the buildings occupied by the tenants.

Other restricted funds incorporate donations upon which restrictions have been placed by the donors and the related expenditure. This primarily relates to income from a major fundraising event held to raise funds to finance the creation of a Learning Centre, construction of which was completed in early September 2003; the remaining funds are to be used to contribute towards the running costs of the Education Department. Also included within other restricted funds is funding and costs associated with particular public events and educational projects.

It is the Trust's policy to use surpluses generated on unrestricted funds to repay loans. Accordingly a transfer has been made between the general and designated funds to cover the repayment of loan balances and the cost of servicing the loans.

The transfer from restricted to general funds represents the reclassification of fixed assets. The construction of these assets was initially financed through restricted income but upon completion of the construction, the restriction was effectively discharged.

Notes to the accounts (continued)  
For the year ended 31 March 2005

**13 EMPLOYEE DETAILS**

|                          | 2004/2005      | 2003/2004      |
|--------------------------|----------------|----------------|
|                          | £              | £              |
| <u>Staff Costs</u>       |                |                |
| Wages and salaries       | 663,222        | 406,805        |
| Social security costs    | 65,891         | 43,223         |
| Pension costs            | 25,195         | 26,803         |
| Temporary staff salaries | 16,316         | -              |
|                          | <u>770,624</u> | <u>476,831</u> |

Emoluments over £50,000

|   | 2004/2005 | 2003/2004 |
|---|-----------|-----------|
|   | Number    | Number    |
| The number of employees paid emoluments of more than £50,000 in the year were:<br>£70,000 - £80,000 | <u>1</u>  | <u>1</u>  |

Contributions amounting to £7,792 were paid into a personal pension plan in respect of one higher paid employee.

Staff Functions

|   | 2004/2005 | 2003/2004 |
|---|-----------|-----------|
|   | Number    | Number    |
| The average number of employees during the year, analysed by function, was: |           |           |
| Fundraising   | 1         | -         |
| Visitor services  | 3         | 5         |
| Cultural events   | 6         | 2         |
| Property management and conservation  | 3         | 5         |
| Communication and marketing   | 2         | 1         |
| Hire of space   | 4         | 3         |
| Support activities  | 3         | 4         |
| Management and administration   | 3         | 2         |
|   | <u>25</u> | <u>22</u> |

In order to achieve operational efficiencies and cost savings, certain staff employed by the Trust also spend some of their time working on behalf of other organisations at Somerset House, particularly the Gilbert Collection, the Courtauld Institute of Art and the Hermitage Development Trust. £164,177 was charged to other organisations during the year in respect of staff costs (2004: £296,723), and this sum is not included in the above figures. The staff involved in delivering the Trust's education programme are employed by the Courtauld Institute of Art and are not included in the above figures.

**14 TRUSTEE REMUNERATION AND RELATED PARTY TRANSACTIONS**

No remuneration directly or indirectly out of the funds of the charity was paid to any trustee or to any related party. Expenses incurred by the charity for trustees during the year totalled £ nil (2003/2004: £ nil). Trustee indemnity insurance was purchased by the charity during the year at a cost of £3,019 (2003/2004: £3,019).

During the year, the Trust obtained in-kind support from the Time Out group whose Chairman, Mr Tony Elliott, is a trustee. The value of this support is estimated to be £14,000 and in return the Trust provided benefits to the Time Out Group with an estimated value of £12,000. At the year end, no balances were owing to or from the Trust by Time Out. The Trust also purchased advertising space from Time Out to promote events taking place at Somerset House; the advertising cost was £2,288 and these purchases were carried out at arms length.

**15 CHARITABLE STATUS**

Somerset House Trust is a charity registered under the Charities Act 1993 (number 1063640). As such, the charity is entitled to take advantage of the exemptions granted by s.505 of the Income and Corporation Taxes Act 1988.

**16 CONTINGENT LIABILITY**

At the year end the Trust had received claims for fees incurred in relation to building projects which were completed in 2000. The value of the claims was £160,000 but no provision has been made in the financial statements on the basis that the Trustees do not believe, given the current state of negotiations, that any further payments will be made in this respect.