SOMERSET HOUSE

Somerset House Trust

Annual Report and Accounts
For the year ended 31 March 2006

Registered company number: 3388137

Registered charity number: 1063640

Somerset House Trust
Annual Report and Financial Statements
For the year ended 31 March 2006

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Somerset House Trust
Trustees Report
For the year ended 31 March 2006

The Board presents the report and financial statements of Somerset House Trust for the year ended 31 March 2006. The statements appear in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities (revised March 2005). The report and statements also comply with the Companies Act 1985.

ADMINISTRATIVE DETAILS

Charity Number:	1063640
Company Number:	3388137
Registered Address:	Somerset House, Strand, London WC2R 1LA
Auditors:	PKF (UK) LLP, Farringdon Place, 20 Farringdon Road, London EC1M 3AP
Bankers:	National Westminster Bank Plc, Cavell House, 2a Charing Cross Road, London WC2
Principal solicitors:	Reed Smith, Minerva House, 5 Montague Close, London SE1 9BB

During the year the Trustees, who are also the directors and members of the company, were:

* Sir Christopher Mallaby	(Chairman)
Dr Giles Worsley	(deceased 18 January 2006)
Sir Mark Potter	
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	

** = Chairman of the Finance and Audit Committee

* = member of the Finance and Audit Committee

Company Secretary:	Rikesh Shah	(resigned 14th September 2005)
	Joe Ghandhi	(took up appointment 14th September 2005)

Chief Executive:	Diana Hansen	(retired 31st October 2005)
	Rikesh Shah	(acting Chief Executive from 1st November 2005 to 31st December 2005)
	Gwyn Miles	(took up appointment 3rd January 2006)

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Trust was incorporated as Somerset House Limited, a private company limited by guarantee, in 1997, and registered as a charity under the same name. 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. Members of the Board of Trustees are also the Directors of the company. The Trust's commercial activities are undertaken by a wholly-owned subsidiary, Somerset House Enterprises Ltd, which gifts its net income to the Trust.

Appointment of Trustees

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 of the Trust's wide range of activities, including architecture and heritage, the visual arts and contemporary culture as well as in finance and law.

Trustee induction and training

New Trustees receive extensive background material to familiarise themselves with the history and activities of the Trust as well as Charity Commission documentation to inform them of their responsibilities and obligations under charity law. In addition, they are briefed by the Chief Executive on the key policy and operational issues facing the Trust.

Organisation

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 will henceforth carry 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 main Board receives reports from the Finance and Audit Subcommittee, and all major issues are reserved for main Board decision.

Risk Management

The Trustees have identified and examined the major risks to which the Trust is exposed and have, through the preparation and review of a risk register, established a system for monitoring these risks. Key risks identified include those related to health and safety, business continuity, quality of visitor experience, human resource management, financial and budgetary control. 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 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 operates entirely from the revenues it secures from its tenants and from income-generating activities such as letting of space for corporate events, catering and filming.

OBJECTIVES AND ACTIVITIES

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.
Key activities in support of this mission are:

(i) Undertaking building and conservation projects

(ii) Hosting world class temporary exhibitions at Somerset House in collaboration with the Courtauld Institute of Art, Gilbert Collection and Hermitage Development Trust

(iii) Running a vibrant public events programme including film, concerts and ice skating

(iv) Making the visitor experience as enjoyable as possible

(v) Developing a learning programme in conjunction with schools

The Trust's strategy was reviewed by the Board during the year, and again when Gwyn Miles took up her appointment as Director in January 2006. A coherent vision for the long-term future of the site is being developed. This will be used to inform all future activities.

(i) The Trust has responsibility for site security, cleaning and maintenance throughout all public areas and external maintenance of the South, East, West and New Wings. The Courtauld Institute of Art, which occupies the North Wing, and the Gilbert Collection Trust directly manage their own security, health and safety, maintenance and cleaning within their respective demises. The Trust is working to a masterplan for the buildings which was prepared in 2004 by Dixon Jones. The Trust works with a conservation architect, Feilden and Mawson, to ensure that all repair work and new projects are undertaken to high standards and respect the historic significance of the Grade I listed buildings. Major progress is being made in bringing all of the areas of the buildings we currently control (ie the South Wing) into use.

(ii) In the North Wing the Courtauld Institute of Art Gallery houses one of the most important collections of art in Britain. It includes world-famous old master and impressionist and post-impressionist paintings, together with sculpture and applied arts, and a world-class prints and drawings collection that includes works by Michelangelo, Rembrandt, Cézanne and Turner. Across the courtyard In the South Wing the Gilbert Collection is home to a unique collection of gold, silver and micro-mosaics. Also in the South Wing are the Hermitage Rooms which display collections from the world-famous Hermitage Museum in St Petersburg. The Trust works in close collaboration with its cultural partners to ensure that it meets its objective of being a centre of excellence for the arts.

(iii) 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. A film season, concerts and an ice-rink are examples of events that make extensive use of the Courtyard and bring the public to the site. 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.

(iv) Improving the visitor experience at the site is a major focus for the work of the Trust. Refreshments are provided for the visitors in a variety of cafes and bars operated by our catering contractors, Leiths. An information desk situated in the Seamen's Hall is operated by volunteers. Every care is taken for the welfare of visitors both to the open site, but also during the operation of events.

(v) 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.

ACHIEVEMENTS AND PERFORMANCE

Building and Conservation: A major project was undertaken to refurbish the first floor rooms of the South Wing and bring them into use. This included the complete re-construction of the fine Portico Room in the centre of the building. These rooms will be used for events, such as meetings, seminars, launches, receptions and dinners. Routine maintenance work undertaken by the Trust included the external redecoration of New Wing, in particular the Conference Centre Suite.

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

Galleries and exhibitions : Visitor numbers to the galleries and exhibitions grew by 6% over the year. Temporary exhibitions that augmented the permanent collections and contributed to this success comprised:

Courtauld Institute of Art	John Virtue: London Drawings
	Derain: The London Paintings
	All Spirit and Fire: Oil Sketches by Tiepolo

Hermitage Rooms	Gainsborough to Turner: British Watercolours from the Spooner Collection
	Circling the Square: Avant-garde Porcelain from Revolutionary Russia
Gilbert Collection	Masterpieces of American Jewellery
	Castellani and Italian Archaeological Jewellery
	Princely Splendour: The Dresden Court 1580 – 1620
	Watercolours by David Hockney – Midsummer: East Yorkshire 2004
	Quiet Resistance: Russian Pictorial Photography 1900 – 1930s

In August BBC Radio 4 launched the Greatest Paintings in Britain vote and in third place with 11.2% of the total vote was the Courtauld Institute's "A Bar at the Folies-Bergere" by Edouard Manet.

Public Events : The events programme was expanded in summer 2005 to include, for the first time, a series of outdoor film screenings in association with Film Four alongside our pop concerts and the popular Free Time event for children. 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 in spite of increased competition. An innovative outdoor Ice Wall was an added dimension to this year's winter season. The Ice Rink formed the backdrop to BBC TV's New Year's Eve broadcast. Thanks to external funding, the programme of skating for schoolchildren and community groups was expanded.

Education and Learning : A dynamic programme of events was 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 welcomed over 15,000 people from 3 year olds to lifelong learners. However, funding constraints have resulted in a review of the scope and activity of the department to ensure that we maximise impact within our existing financial means.

Valuing 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.

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. The Trust has responded by undertaking an audit with tenants, including the Courtauld Institute of Art and Hermitage Rooms, and the findings of the audit makes recommendations to ensure full compliance with all aspects of the DDA. Small-scale improvements have been programmed within routine expenditure. Major improvements have been prioritised and 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.

FINANCIAL REVIEW

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 £ 7,033,000 (2004/05: £6,796,000), and principally comprised 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 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 in line with the retail price index.

Resources Expended

The total of resources expended on the Trust's operations and management and in generating funds was £ 9,561,000 (2004/05: £7,871,000). 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, where cancellation of three concerts resulted in a financial deficit in 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.

Assets and liabilities

The value of the Trust's fixed assets declined during the year, with the cost of additional building works being offset by the amortisation and depreciation charges for the year. The significant decrease in the debtors balance compared to the previous year was mainly a result of earlier payment of rent and service charges by one significant tenant; this earlier payment also led to an off-setting increase in cash balances compared to the previous year-end.

Creditors payable within one year include bank loans repayable by 31 March 2007 of £ 100,000, 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.

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. During the year building works were undertaken at a cost of £801,118 net of depreciation. As these works have been funded from unrestricted general cash rather than bank borrowings, the Trustees have taken a decision to allocate these building works to the general unrestricted fund rather than the designated fund. The building works undertaken during the year enabled the Trust to refurbish the first floor rooms, including the complete re-construction of the fine Portico rooms in the centre of the building, thus increasing the available usable space in the South Building for the purposes of meetings, seminars, launches, corporate hire and commercial rental. 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 to support the costs of the Trust's public events programme in 2005-06.

Results of the subsidiary company

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. This showed a year of decline, primarily due to the lack of ice rink and other sponsorship, by decreasing the net contribution to the Trust from £ 283,000 to £ 192,000. The Trustees are actively addressing this issue and closely monitor commercial activity, balancing the potential for income generation against the needs of public access and presentation of this historic building.

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 2006, unrestricted general reserves were £136,000. 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 reliable 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.

PLANS FOR FUTURE PERIODS

Plans for the building include refurbishment of the South facing river terrace, improving our signage and a significant restoration of the second and third floors of the South Building to recreate the "model room" that was in existence in the 18th century. Whereas some of this work will be carried out within our existing finances, the model room refurbishment will be conditional on the Trust finding additional funding to carry out the project.

The 3-year forward plans for both the Ice Rink and the Summer Events season aims for continued growth and innovation by continuing a range of exciting events which appeal to a diverse audience. In addition, for the first time, Somerset House is to host Origin: a craft fair organised by the Crafts Council. Plans for the ice rink include a new "training rink" which will enable novices and children to learn to skate in a dedicated environment.

Plans for the Galleries include an increased and more varied range of temporary exhibitions. These include the Road of Byzantium exhibition in the Hermitage rooms and "Bejewelled by Tiffany" which includes 180 glittering pieces from the Tiffany archive and a small selection of jewels loaned from private collections to chronicle the first 150 years of Tiffany.

A strategic and financial review of the Joint Education Department is under way to ensure that our aspirations for the department are matched by financial reality. Whereas future prospects for the education programme are exciting much of this will be dependent on financing the new activities through grant applications to Trusts and other funding bodies.

The Trust continues its discussions with HMRC about the latter's intentions concerning the large part of Somerset House which it still occupies.

Trustees' responsibilities in relation to the financial statements

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 toward the prevention and detection of fraud and other irregularities.

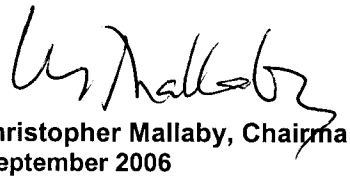
In accordance with company law, as the company's directors, we certify that:

- as far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the chartiy's auditors are aware of that information.

Auditors

A resolution will be proposed at the Annual General Meeting that PKF (UK) LLP be re-appointed as auditors to the charity for the ensuing year.

By order of the Trustees



Sir Christopher Mallaby, Chairman
13th September 2006

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 2006 which comprise the consolidated statement of financial activities, the balance sheets and the related notes. The 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 auditors' 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 responsibilities of the trustees (who are also the directors of the company for the purposes of company law) for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company 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 directors' remuneration and other transactions is not disclosed.

We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We report to you whether in our opinion the information given in the trustees' report is consistent with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and group's affairs as at 31 March 2006 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the trustees' report is consistent with the financial statements.

PKF (UK) LLP	**PKF (UK) LLP**
London, UK	Registered auditors
Date 15 September 2006	

Consolidated Statement of Financial Activities
For the year ended 31 March 2006

	Notes	Unrestricted General £	Designated £	Restricted £	Endowment £	2005/2006 Total £	As restated 2004/2005 Total £
INCOMING RESOURCES							
Incoming resources from generated funds							
Concessions and venue hire		703,688	-	-	-	**703,688**	590,973
Sponsorship		11,128	-	-	-	**11,128**	93,200
Grants and Donations		8,500	-	75,620	-	**84,120**	159,054
Rental Income		2,997,538	-	-	-	**2,997,538**	2,778,305
Bank interest receivable		59,171	-	-	-	**59,171**	72,488
		3,780,025	-	75,620	-	**3,855,645**	**3,694,020**
Incoming resources from charitable activities							
Property management and conservation		17,160	-	1,418,804	-	**1,435,964**	1,485,622
Cultural and Public Events		1,715,047	-	-	-	**1,715,047**	1,600,778
Other income		26,795	-	-	-	**26,795**	15,178
		1,759,002	-	1,418,804	-	**3,177,806**	**3,101,578**
Total incoming resources		**5,539,027**	**-**	**1,494,424**	**-**	**7,033,451**	**6,795,598**
RESOURCES EXPENDED							
Costs of generating funds							
Concessions and venue hire	**2**	(553,462)	-	-	-	**(553,462)**	(427,034)
Sponsorship costs	**2**	(15,430)	-	-	-	**(15,430)**	(47,685)
Fundraising costs of grants and donations	**2**	(61,538)	-	-	-	**(61,538)**	(31,512)
Bank interest payable	**2**	0	(131,800)	-	-	**(131,800)**	(131,075)
		(630,430)	(131,800)	-	-	**(762,230)**	**(637,306)**
Charitable activities							
Property management and conservation	**2**	(1,163,322)	(1,745,361)	(765,631)	(1,278,095)	**(4,952,409)**	(4,297,298)
Cultural and Public events	**2**	(2,484,763)	-	(75,620)	-	**(2,560,383)**	(2,010,129)
Public education, communication and visitor services	**2**	(812,400)	-	(218,743)	-	**(1,031,143)**	(638,278)
		(4,460,485)	(1,745,361)	(1,059,994)	(1,278,095)	**(8,543,935)**	**(6,945,705)**
Governance Costs	**2**	(215,884)	-	(39,163)	-	**(255,047)**	(288,486)
Total Resources Expended		(5,306,799)	(1,877,161)	(1,099,157)	(1,278,095)	**(9,561,212)**	**(7,871,497)**
Transfers between funds							
Financing	**11**	(281,800)	281,800	-	-	**-**	-
Other	**11**	(33,380)	631,865	(598,485)	-	**-**	-
		(315,180)	913,665	(598,485)	-	-	-
Net movement in funds for the year		(82,952)	(963,496)	(203,218)	(1,278,095)	**(2,527,761)**	**(1,075,899)**
Total funds brought forward at 1 April 2005		219,024	24,336,667	467,982	14,171,089	**39,194,762**	**40,270,661**
Total funds carried forward at 31 March 2006		**136,072**	**23,373,171**	**264,764**	**12,892,994**	**36,667,001**	**39,194,762**

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. The comparative figures have been restated in accordance with SORP 2005.

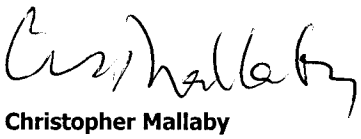
Consolidated Balance Sheet
As at 31 March 2006

	Notes	Unrestricted General £	Unrestricted Designated £	Restricted £	Endowment £	2006 Total £	2005 Total £
FIXED ASSETS							
Tangible fixed assets	4	838,152	25,535,171	-	12,892,994	**39,266,317**	40,717,225
		838,152	25,535,171	-	12,892,994	**39,266,317**	40,717,225
CURRENT ASSETS							
Debtors	6	730,863	-	-	-	**730,863**	1,969,354
Short term deposits		900,000	-	-	-	**900,000**	1,150,000
Cash at bank and in hand		362,181	-	264,764	-	**626,945**	356,531
		1,993,044	-	264,764	-	**2,257,808**	3,475,885
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	7	(2,695,124)	(212,000)	-	-	**(2,907,124)**	(3,713,348)
NET CURRENT ASSETS / (LIABILITIES)		(702,080)	(212,000)	264,764	-	**(649,316)**	(237,463)
TOTAL ASSETS LESS CURRENT LIABILITIES		136,072	25,323,171	264,764	12,892,994	**38,617,001**	40,479,762
Creditors: amounts falling due after more than one year	10	-	(1,950,000)	-	-	**(1,950,000)**	(1,285,000)
NET ASSETS		**136,072**	**23,373,171**	**264,764**	**12,892,994**	**36,667,001**	**39,194,762**
FUNDS							
Unrestricted funds							
General funds	11	136,072	-	-	-	**136,072**	219,024
Designated funds	11	-	23,373,171	-	-	**23,373,171**	24,336,667
Restricted funds	11	-	-	264,764	-	**264,764**	467,982
Endowment fund	11	-	-	-	12,892,994	**12,892,994**	14,171,089
		136,072	**23,373,171**	**264,764**	**12,892,994**	**36,667,001**	**39,194,762**
		-	-	-	-	-	-

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

These financial statements were approved and authorised for issue by the Board of Trustees on 13 September 2006

Signed on behalf of the Board of Trustees



Sir Christopher Mallaby
Chairman

Charity Balance Sheet
As at 31 March 2006

	Notes	Unrestricted General £	Unrestricted Designated £	Restricted £	Endowment £	2006 Total £	2005 Total £
FIXED ASSETS							
Tangible fixed assets	4	838,152	25,535,171	-	12,892,994	**39,266,317**	40,717,225
Investments	5	1	-	-	-	**1**	1
		838,153	25,535,171	-	12,892,994	**39,266,318**	**40,717,226**
CURRENT ASSETS							
Debtors	6	925,431	-	-	-	**925,431**	2,001,371
Short term deposits		900,000	-	-	-	**900,000**	1,150,000
Cash at bank and in hand		13,161	-	264,764	-	**277,925**	129,166
		1,838,592	-	264,764	-	**2,103,356**	**3,280,537**
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	7	(2,557,074)	(212,000)	-	-	**(2,769,074)**	(3,529,401)
NET CURRENT ASSETS/ (LIABILITIES)		(718,482)	(212,000)	264,764	-	**(665,718)**	**(248,864)**
TOTAL ASSETS LESS CURRENT LIABILITIES		119,671	25,323,171	264,764	12,892,994	**38,600,600**	**40,468,362**
Creditors: amounts falling due after more than one year	8	-	(1,950,000)	-	-	**(1,950,000)**	**(1,285,000)**
NET ASSETS		**119,671**	**23,373,171**	**264,764**	**12,892,994**	**36,650,600**	**39,183,362**
FUNDS							
Unrestricted funds							
General funds		119,671	-	-	-	**119,671**	**207,624**
Designated funds		-	23,373,171	-	-	**23,373,171**	**24,336,667**
Restricted funds		-	-	264,764	-	**264,764**	**467,982**
Endowment fund		-	-	-	12,892,994	**12,892,994**	**14,171,089**
		119,671	**23,373,171**	**264,764**	**12,892,994**	**36,650,600**	**39,183,362**

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

These financial statements were approved and authorised for issue by the Board of Trustees on 13 September 2006

Signed on behalf of the Board of Trustees

Sir Christopher Mallaby
Chairman

Consolidated Cash Flow Statement
For the year ended 31 March 2006

	Notes	2005/2006 Total £	2004/2005 Total £
Net cash inflow from operating activities	A	1,841,260	639,993
Returns on investments and servicing of finance			
Interest received		59,171	72,488
Interest paid		(131,800)	(131,075)
Capital expenditure			
Payments to acquire tangible fixed assets		(1,598,217)	(761,493)
Management of liquid resources			
Sale of short-term deposits	B	250,000	1,231,627
Financing			
Decrease in loans	B	(150,000)	(800,000)
Increase/(Decrease) in cash	C	**270,414**	**251,540**

Notes to the Cash Flow Statement
For the year ended 31 March 2006

NOTE A

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

	2005/2006	2004/2005
	£	£
Net (Outgoing)/Incoming Resources before interest	(2,455,132)	(1,017,313)
Depreciation and amortisation	3,049,125	2,632,643
Decrease in Stocks	-	1,003
(Increase)/Decrease in Debtors	1,238,491	(1,302,501)
(Decrease)/Increase in Creditors	8,776	326,161
Net cash inflow from operating activities	**1,841,260**	**639,993**

NOTE B

Reconciliation of net cash flow to changes in net debt

	2005/2006	2004/2005
	£	£
Increase/(Decrease) in cash in the period	270,414	251,541
(Sale)/Purchase of short-term deposits	(250,000)	(1,231,627)
Loans repaid	150,000	800,000
Change in net debt	170,414	(180,086)
Net debt at 1 April	(693,469)	(513,383)
Net debt at 31 March	**(523,055)**	**(693,469)**

NOTE C

Analysis of changes in net debt

	At 1 April 2005	Cash Flows	At 31 March 2006
	£	£	£
Cash at bank and in hand	356,531	270,414	626,945
Short term deposits	1,150,000	(250,000)	900,000
Bank loans repayable within one year	(915,000)	815,000	(100,000)
Bank loans repayable after more than one year	(1,285,000)	(665,000)	(1,950,000)
Net debt	**(693,469)**	**170,414**	**(523,055)**

Notes to the Accounts
For the year ended 31 March 2006

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 March 2005. Comparative figures have been restated where appropriate.

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.

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.

- Costs of generating funds are those costs incurred in attracting voluntary income and sponsorship as well as costs incurred in trading activities that raise funds and bank interest payable on loans which have been used to finance the Trust's capital projects.
- Charitable activities include expenditure on property management and conservation, costs associated with cultural and public events and educational and visitor services costs. Both direct and support costs relating to these activities are included.
- Governance costs include those incurred in the governance of the charity and its assets. Senior management time spent on supporting the Governance function is also allocated to Governance costs.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of the resources

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.

2 ANALYSIS OF RESOURCES EXPENDED

	Staff Costs	Direct Costs	Overheads	2005/2006 Total	2004/2005 Total
Costs of generating funds	£	£	£	£	£
Fundraising costs	23,966	2,928	34,644	61,538	31,512
Hire of space	49,873	398,987	104,602	553,462	427,034
Sponsorship	13,396	2,034	-	15,430	47,685
Bank Interest payable	-	131,800	-	131,800	131,075
	87,235	403,949	139,246	630,430	506,231
Charitable expenditure					
Costs of activities in furtherance of the charity's objects:					
Property management and conservation	256,647	1,620,706	3,075,056	4,952,409	4,297,298
Visitor services	192,135	49,113	48,191	289,439	216,325
Public education	-	351,874	6,219	358,093	107,218
Public events	180,644	2,307,504	72,235	2,560,383	2,010,129
Communication and marketing	115,581	222,142	45,888	383,611	314,735
	745,007	4,551,339	3,247,589	8,543,935	6,945,705
Governance costs	70,877	27,929	156,241	255,047	288,486
Total Resources Expended	**903,119**	**5,115,017**	**3,543,076**	**9,561,212**	**7,871,497**

3 NET INCOMING RESOURCES

Net incoming resources are stated after charging the following:	2005/2006 £	2004/2005 £
Auditors' Fees:		
- for audit work	14,670	14,500
- for non-audit work	-	1,551
Depreciation:		
- land and buildings	3,023,456	2,620,151
- other	25,669	12,492

4 TANGIBLE FIXED ASSETS

	Charity and Group			
	Inland Revenue Lease £	Building Works £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 April 2005	21,160,710	34,846,070	237,059	56,243,839
Additions	-	1,544,984	53,233	1,598,217
Disposals			(89,273)	(89,273)
At 31 March 2006	21,160,710	36,391,054	201,019	57,752,783
Accumulated depreciation				
At 1 April 2005	6,989,621	8,309,403	227,590	15,526,614
Charge for the year	1,278,095	1,745,361	25,669	3,049,125
Disposals			(89,273)	(89,273)
At 31 March 2006	8,267,716	10,054,764	163,986	18,486,466
Net book value				
At 31 March 2006	**12,892,994**	**26,336,290**	**37,033**	**39,266,317**
At 31 March 2005	14,171,089	26,536,667	9,469	40,717,225

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

5 INVESTMENTS

	Charity £
At 1 April 2005 and at 31 March 2006	1

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.

Somerset House Enterprises Limited	2005/2006 £	2004/2005 £
Turnover	847,883	838,615
Cost of Sales	(584,078)	(481,497)
Gross Profit	263,805	357,118
Administrative Expenses	(71,859)	(73,819)
Operating Profit	191,946	283,299
Gift aid donation to charity	(186,946)	(278,299)
Result for the year	5,000	5,000
Retained profit brought forward	11,400	6,400
Retained profit carried forward	**16,400**	**11,400**

The aggregate of the assets, liabilities and funds was:	31 March 2006	31 March 2005
Assets	545,158	369,753
Liabilities	(528,757)	(358,352)
Funds	**16,401**	**11,401**

6 DEBTORS

	Charity 31 March 2006 £	*Charity* 31 March 2005 £	*Group* 31 March 2006 £	*Group* 31 March 2005 £
Trade debtors	459,072	1,619,489	529,299	1,740,237
Other debtors	10,510	162,264	136,422	183,904
Amounts due from subsidiary company	390,707	174,404	-	-
Prepayments and accrued income	65,142	45,213	65,142	45,213
	925,431	**2,001,370**	**730,863**	**1,969,354**

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Charity 31 March 2006 £	*Charity* 31 March 2005 £	*Group* 31 March 2006 £	*Group* 31 March 2005 £
Bank loans repayable within one year	100,000	915,000	100,000	915,000
Purchase creditors and accruals	1,464,812	1,439,196	1,517,172	1,482,997
Other creditors, including taxation and social security	205,276	218,489	222,992	231,500
Deferred income	998,986	956,716	1,066,960	1,083,851
	2,769,074	**3,529,401**	**2,907,124**	**3,713,348**

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Charity and Group 31 March 2006 £	*Charity and Group* 31 March 2005 £
Bank loans repayable after more than one year	**1,950,000**	**1,285,000**

9 BANK LOANS

	Charity and Group 31 March 2006 £	*Charity and Group* 31 March 2005 £
Amounts repayable:		
- within one year	**100,000**	**915,000**
- between one and two years	**350,000**	**1,285,000**
- between two and five years	**1,600,000**	**-**
	2,050,000	**2,200,000**

During the year new loan facilities wre agreed with the Trusts' bankers to be used to finance the scheduled repayments on existing loans, thereby extending the repayment period of existing loans. The rescheduling of the loans was arranged to release cash to finance various building works and other projects

10 POST BALANCE SHEET EVENT

Following the end of the financial year, the Trust has been notified in writing by represetatives of the Department of Culture, Media and Sport (DCMS) that the Department wishes to confirm its ongoing support for the Trust and to maintain the rent payable under the head-lease at £80,000 per annum for a further period until 29 September 2009.

11 STATEMENT OF FUNDS

	At 1 April 2005 £	Incoming Resources £	Resources Expended £	Fund Transfers £	31 March 2006 £
Unrestricted funds					
General funds	219,024	5,539,027	(5,306,799)	(315,180)	136,072
Designated funds	24,336,667	-	(1,877,161)	913,665	23,373,171
Total unrestricted funds	24,555,691	5,539,027	(7,183,960)	598,485	23,509,243
Restricted funds					
Maintenance and service charge fund	249,239	1,418,804	(804,794)	(598,485)	264,764
Other restricted funds	218,743	75,620	(294,363)	-	-
Total restricted funds	467,982	1,494,424	(1,099,157)	(598,485)	264,764
Endowment Fund	14,171,089	-	(1,278,095)	-	12,892,994
Total funds	**39,194,762**	**7,033,451**	**(9,561,212)**	**-**	**36,667,001**

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.

During the year building works were undertaken at a cost of £ 801,118 net of depreciation. As these works have been funded from general unrestricted cash rather than bank borrowings, the Trustees have taken a decision to allocate these building works to the general unrestricted fund rather than the designated 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 were to be used to contribute towards the running costs of the Education Department and this fund has been fully utilised during the year. 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.

12 EMPLOYEE DETAILS

	2005/2006 £	2004/2005 £
Staff Costs		
Wages and salaries	736,078	663,222
Social security costs	82,999	65,891
Pension costs	22,488	25,195
Temporary staff salaries	61,554	16,316
	903,119	**770,624**

Emoluments over £60,000

	2005/2006 Number	2004/2005 Number
The number of employees paid emoluments of more than £60,000 in the year were:		
£70,000 - £80,000	-	1

Staff Functions

	2005/2006 Number	2004/2005 Number
The average number of employees during the year, analysed by function, was:		
Fundraising	1	1
Cultural and public events	2	6
Property management and conservation	4	3
Public education, communication and visitor services	8	5
Concessions and venue hire	5	4
Governance	6	6
	26	25

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. £ 110,503 was charged to other organisations during the year in respect of staff costs (2005: £164,177), 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.

13 ALLOCATION OF SUPPORT

The Trust allocates its suport costs as shown in the two tables below. Support costs are allocated on a basis consitent with the use of resources.

(a) Support Costs

	Total £
Rental payable	59,387
Legal and professional	35,533
Information Technology equipment, maintenance and depreciation	46,553
General management - staff costs	197,283
General management - office costs	121,483
	460,239

(b) Departmental allocation of support costs

	Costs of generating funds £	Costs in furtherance of objects £	Total £
Fundraising costs	35,264	-	35,264
Concessions and venue hire	20,711	-	20,711
Property management and conservation	-	136,828	136,828
Cultural and public events	-	87,072	87,072
Public education, communication and visitor services	-	180,364	180,364
	55,975	**404,264**	**460,239**

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 (2004/2005: £ nil). Trustee indemnity insurance was purchased by the charity during the year at a cost of £3,019 (2004/2005: £3,019).

There were no related party transactions during the year

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.