

Somerset House Trust

Annual report and financial statements for the year
ended 31 March 2015

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company directory

Registered office
Somerset House
Strand
London WC2R 1LA

Registered charity number
1063640

Company number
03388137

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr Tony Elliott *
Ms Judy Gibbons
Mr Robert Gillespie * (resigned 31 August 2015)
Sir Malcolm Grant
Mr Laurence Green
Mr Jeremy Hardie *
Mr Jonathan Higgins
Mr Marcus Lyon
Ms Caroline Michel
Mr Mark Pain *
Ms Joanna Pitman
Sir Mark Potter
Mr Nitin Sawhney
Mr William Sieghart * (appointed director 15 July 2015, appointed Chairman 1 September 2015)
Ms Loraine Woodhouse * (resigned 31 August 2015)
Baroness Lola Young

* Member of the Finance and Audit Committee

Director
Mr Jonathan Reekie CBE (appointed 7 April 2014)

Chief Operating Officer and
Company Secretary
Mr Mark Stuart-Smith

Commercial Director
Mr Mark Hislop (resigned 31 March 2015)

Independent Auditors &
Chartered Accountants
PricewaterhouseCoopers LLP
1 Embankment Place, London, WC2N 6RH

Bankers
National Westminster Bank Plc
38 Strand, London WC2N 5JB

Solicitors
Farrer & Co LLP
66 Lincoln's Inn Fields, London, WC2A 3LH

Herbert Smith LLP
Exchange House, London, EC2A 2HS

report of the board of trustees

Summary

The Somerset House Act was passed in 1984, setting this historic site on the path to becoming one of London's most exciting cultural spaces. In 1997 The Somerset House Trust was established which today is responsible for the site. It has lovingly restored the buildings, opened up the spaces for the public, and developed an extensive programme of arts and cultural events, so that it is now the 9th largest visitor attraction in London, with over 2.5 million visitors annually.

As well as our regular major events, summer gigs, open air cinema and *Skate*, programme highlights for the year included *Guy Bourdin: Image Maker*, *Fashioning Winter* and PJ Harvey's *Recording in Progress*, a collaboration with Artangel.

At the heart of Somerset House lies probably the largest creative community in London made up of innovative businesses, charities and social enterprises, spanning the creative industries that both provide valuable income to the Trust but, as importantly, contribute to the vibrancy and energy of this cultural centre.

The Trust ensures the upkeep of this Grade 1 listed building and delivers its extensive arts and learning programme, currently with no public revenue funding, relying on earned income from cultural projects, rental, events and sponsorship income.

In 2014 the last part of the site to come under the Trust's control, New Wing, was opened up to the public, populated with a mixture of tenants, including an innovative new community of artists and makers, that will be developed over the next two years to become a creative powerhouse for Somerset House and London. The public areas also include a new restaurant from Michelin-starred chef Skye Gyngell and a further café. Some of the ground floor rooms were opened up to be used by the artists and makers as a public showcase for their new and innovative work.

This unique location with its combination of public programme and creative community, means that Somerset House is inventing a new model of an arts centre for the 21st century. A place where art is made and produced; one which huge numbers of the public can enjoy for its beautiful heritage and a wide array of the best contemporary culture.

2014 saw a shift in emphasis nearing the end of more than a decade of restoration and the creation of a unique business model to an era where Somerset House can be more ambitious about its artistic purpose. The business model completes its transition in 2016 by when the buildings will be fully let and we anticipate all the costs of the past refurbishment will have been largely met. With the arrival of a new Director many plans are being made for the next decade to ensure that Somerset House becomes more widely recognised for its special and unique character and establishes itself as a cultural powerhouse.

Structure, Governance and Management

History and background

Somerset House is a spectacular neo-classical building in the heart of London, sitting between the Strand and the River Thames. The building today, built on the site of a Tudor royal palace, is one of London's architectural gems. It was designed by Sir William Chambers and constructed between 1785 and 1803 to accommodate government offices, including the Navy Board and the learned societies. An adjacent wing (the New Wing designed by James Pennethorne) was added in 1856. The use of the building as offices for civil servants meant that it was essentially closed to the public for its first 200 years. A spirited campaign was mounted in the late twentieth century to bring the building back into public use and as a result Somerset House, a Grade 1 listed building, is now a vibrant public space, recognised as a unique part of the London cultural scene, brought to life with surprising and original artistic events.

The Somerset House Act was passed in 1984 with the intention to develop Somerset House as a home for the arts. Somerset House Trust was established in 1997 as a charity to enhance the education of the general public by the provision of a centre for arts and culture and to maintain the buildings for the benefit of the local and international community as an outstanding example of English national heritage. Since 1997 the Trust has gradually recovered all the spaces of Somerset House, reclaiming the final part, New Wing in March 2013.

In 1989 The Courtauld Institute of Art moved into North Wing.

In the period 1999-2003 two major grants from the Heritage Lottery Fund enabled the creation of new cultural and public spaces in South Wing, and, with the installation of the Fountain Court, Chambers' great Courtyard was transformed into one of the most beautiful public spaces in London. This was followed in 2008 and 2009 with the other floors of South Wing being refurbished and let to emerging, innovative and socially aware businesses from the creative community.

report of the board of trustees (continued)

History and background (continued)

More exhibition and public space was opened up in East Wing in October 2011 and the remainder of East Wing was sublet to King's College, London for use by their Law Faculty and the King's College Cultural Institute.

With effect from 1 April 2011, the Trust recovered West Wing from HM Revenue & Customs (HMRC) and the redevelopment was completed in January 2014. West Wing has replicated the successful business model established for South and East Wings, whereby the tenanting of the upper floors by creative businesses, on a commercial basis, provides revenue streams to fund the upkeep of the estate, and the ground floor is devoted to public realm.

In March 2013, New Wing, the sole remaining wing not under the control of the Trust, was recovered from HMRC and refurbishment work started immediately. This brought to a close a relationship between Somerset House and HMRC which had existed since the building's construction in the 18th century: the Act of Parliament passed in 1775 which led to the construction of the current Somerset House envisaged its use as Publick Offices for the Salt Office, the Stamp Office, the Tax Office and the Publick Lottery Office. The refurbishment of the upper floors was completed in October 2013 and they are fully tenanted. Refurbishment of the ground floor is almost complete, and the Spring restaurant and Pennethorne's Café opened to the public in November 2014. Work is underway on the remainder of the ground floor and the lower floors, which will be home to another restaurant and bar as well as providing a large new creative space for artists and makers.

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 Trust has been granted a 128-year lease of Somerset House (from 29 September 1997 to 24 December 2125) by The Secretary of State for the Environment, through The Department for Culture, Media and Sport (DCMS), which allows the Trust to charge rent for office space, thus guaranteeing an on-going revenue stream. The Trust's commercial activities are undertaken by a wholly-owned subsidiary, Somerset House Enterprises Limited, which gifts its taxable profits to the Trust.

Appointment of the new Director

Following the retirement of Gwyn Miles, who had been the Director of Somerset House Trust since January 2006, the Board appointed Jonathan Reekie as the new Director, taking up the position on 7 April 2014.

Appointment of Trustees

Trustees are appointed following a review by the Chairman and the rest of the Board 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, education and learning as well as finance, business, law, social media, marketing and fund-raising. The Board currently comprises sixteen trustees.

Robert Gillespie, who had been a Trustee since July 2003 and who was appointed Chairman in October 2006, retired on 31 August 2015. During his tenure, the Trust has undergone a major transformation to become the model for a new, financially sustainable arts centre, operating successfully without the need for public subsidy, demonstrating that private enterprise and the arts can flourish side-by-side, to the profit of both.

The new Chairman is William Sieghart, who brings a wealth of experience in arts and business.

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 Director on the key policy and operational issues facing the Trust.

Organisation

The Board of Trustees meets every two months. At each meeting the Board considers a full report from the management team, including the latest management accounts, progress reports on current and future projects, and, as appropriate, papers covering, inter alia, strategy, the annual budget, longer term financial forecasts, exhibitions and events, and architectural strategy. The Director and Chief Operating Officer attend Board meetings.

report of the board of trustees (continued)

Organisation (continued)

In addition, the Finance and Audit Committee, a sub-committee of the Board, meets every two months and has delegated responsibility from the Board for reviewing financial performance and strategy, governance, examining and reviewing all methods of financial and internal control and risk management, ensuring compliance with all aspects of the law, relevant regulations and good practice, and liaising with the Trust's external auditors. The committee also recommends to the Board a remuneration strategy giving due regard to the financial and commercial health of the Trust and ensuring that all staff are fairly rewarded for their contribution to the Trust's overall performance. The Finance and Audit Committee has advisory powers and not decision-making authority, which is retained by the Board of Trustees.

Strategic Report

Risk management

The major risks faced by the Trust are:

Financial sustainability: the Trust receives no direct financial support from the government and relies on the rent and service charge paid by its tenants and private hire income to fund the maintenance and upkeep of the estate and the Trust's operations, and relies on ticket sales, merchandising income, and sponsorship to fund the artistic and cultural programme.

Now that HMRC, the one-time major tenant, has completely vacated the site, the spaces are let to over 100 tenants. The biggest is King's College, London which has a long-term lease to November 2087. The upper floors of West Wing, South Wing and New Wing have been let to a variety of organisations from the creative sector. The risk of being unable to operate as a going concern is controlled by regular financial reviews, covering monthly management accounts, short term cashflow forecasts, annual budgets and mid-year re-forecasts (including suitable levels of contingency), financial covenants, individual project plans, and ensuring the reserves policy remains appropriate. Given the Trust's lack of public subsidy, there is a particular need for the Trust's finances to be managed responsibly and with vision, as any financial underperformance will adversely affect the ability to expand the artistic and cultural programme and maintain the estate at an appropriate level to attract the right tenants.

The Trust considers carefully the effectiveness of its pricing and marketing strategies and works closely with suppliers to increase efficiencies and identify opportunities for removing costs in order to protect margins and profitability without compromising on quality, the visitor experience or the diversity of its audiences.

Capital development: the Trust's current plans anticipate significant, ongoing expenditure on refurbishing the estate. The risk that these projects over-expose the Trust financially or do not result in the required level of tenant income is mitigated by strong project governance and detailed project budgeting and planning.

Staff relations: the Trust's employees are fundamental to the long-term success and growth of the Trust. Motivation and retention of key employees impacts on the ability to deliver the business plan, so it remains important to ensure that the Trust is an enjoyable and rewarding place to work. An annual appraisal process was introduced in November 2011 and a salary benchmarking exercise was undertaken in 2015. The London Living Wage was introduced for all permanent and temporary employees of the Trust in 2014/15 and a defined contribution workplace pension scheme was set up for all eligible members of staff. Regular staff briefings, addressed by the senior management team and attended by all employees, are held, at which recent performance and plans for the future are discussed.

Succession planning: the development of a strong succession plan for key employees and trustees is a critical area of focus for the Board, as shown by the recruitment of the new Director, Jonathan Reekie, in April 2014, and the new Chairman, William Sieghart, in July 2015.

Aims, objectives and strategies

Somerset House continues to develop as a creative centre housed in an architectural masterpiece open for the enjoyment of the public.

The Trust aims to:

- Provide a diverse range of arts and cultural activities
- Develop a creative community
- Conserve and restore Somerset House to a high standard
- Ensure that the site is presented to the public as a world class heritage site

report of the board of trustees (continued)

Aims, objectives and strategies (continued)

Key objectives and activities in support of these aims currently are:

- To maintain and improve the buildings and bring all areas under the Trust's control in to use and build a creative community
Since 1 April 2013 all five wings of Somerset House have been under the control of the Trust, thereby fulfilling a key objective of the Trust.

In the absence of any funding from government the Trust's business model is to generate revenue from letting commercial office space in the upper floors of South, West and New Wings. The strategy focuses on organisations from the arts and creative industries, which are young, entrepreneurial and socially aware.

In addition to the two universities, The Courtauld Institute of Art and King's College, London, tenants include music organisations such as the National Youth Orchestra, Music for Youth, and Sound and Music; educational charities such as the Sorrell Foundation; fashion and arts organisations including the British Fashion Council, Candlestar, Clore Leadership Programme, The Royal Society for Literature, and Association of Illustrators; and knowledge exchange consultancies and think tanks, including the Smith Institute, Creative Society, Editorial Intelligence, Britain Thinks, and Culture Capital Exchange. Other sectors represented at Somerset House include marketing and PR organisations such as 101 London, Siren, Borkowski Do, Earth Creative Strategies, and Assembly London. Of note is the third largest tenant, the taxi app developer, Hailo. The over 100 tenant organisations reflect a significant diversity of sectors and this will continue as new spaces are made available for artists and makers.
- To run a vibrant public events programme
The Trust runs a wide-ranging programme of cultural events which aims to attract a large and diverse audience to the site. We want to build an important centre for contemporary culture spanning exhibitions, live performance, new commissions, combining the historic elegance of the building with events that appeal today. Much of the programme is seasonal and makes extensive use of the Edmond J. Safra Fountain Court, with concerts and an open-air film season in the summer, and an ice rink in the winter. As the Trust has recovered more space as public realm the artistic and cultural programme has expanded. Visitor numbers in 2014/15 were 2,531,399 (2013/14: 2,398,066), making 2014/15 the Trust's most popular year and, for the calendar year 2014, placing Somerset House the ninth most popular visitor attraction in the UK according to the Association of Leading Visitor Attractions.

The Trust mounts its own eclectic temporary exhibitions covering contemporary culture, including design, fashion, art, architecture, music and photography in the Embankment Galleries and the galleries around the Courtyard. These exhibitions are distinctive, bold and imaginative and appeal to a diverse, culturally aware audience. The Courtauld Gallery houses one of the most important collections of art in the UK, including world-famous old master and impressionist and post-impressionist paintings, sculpture, applied art, prints and drawings. The Courtauld Gallery regularly mounts temporary exhibitions highlighting research into specific aspects of its permanent collection.
- To make Somerset House accessible and enjoyable for a wide range of visitors
Improving the visitor experience at Somerset House is a major focus of the work of the Trust. Our mixture of paid and free exhibitions means that we are always accessible to everyone and the wide range of restaurants, cafés and bars, shop and guided tours make this a much-loved destination.
- To develop an innovative learning and participation programme
The Trust operates an education programme which focuses on schools, families and adult education. It is run alongside the learning programmes of The Courtauld Institute of Art and King's College, London, as well as many of our tenants who are involved in learning such as the Sorrell Foundation, which runs the National Art and Design Scheme, which has its annual showcase at Somerset House.

Achievements and Performance

Building and conservation

The Trust is responsible for the upkeep and maintenance of the Somerset House estate. The Trust's maintenance programme is based on a three year rolling programme which is regularly reviewed by external quantity surveyors.

Starting in 2010, East and West Wings as well as the upper and ground floors of New Wing have been redeveloped and the refurbishment of the remainder of the ground floor of New Wing is expected to be completed by autumn 2016.

Cultural Programme

Exhibitions

Our main exhibition spaces are the Embankment Galleries. During the year the Trust presented a significant photographic exhibition: *Guy Bourdin: Image Maker* (50,002 visitors). This was the UK's largest ever exhibition of the influential and enigmatic fashion photographer Guy Bourdin and was curated by Alistair O'Neill with Shelly Verthime.

report of the board of trustees (continued)

Pick Me Up: Graphic Arts Festival (17,347 visitors), the UK's original contemporary graphic arts festival, returned in 2014 for a 12-day celebration of graphic art, design and illustration. In addition to showcasing and selling original artworks and limited-edition prints from the industry's elite and emerging talent, each day the festival featured an exciting and eclectic mix of quirky family workshops, lively evening events and creative forums.

Other exhibitions in the Embankment Galleries included *Time: Tattoo Art Today* (33,058 visitors) and *National Open Art* (10,260 visitors).

2014/15 was the third full year when East Wing was available as an exhibition and display venue and exhibitions included *Chris Stein/Negative: Me, Blondie and The Advent of Punk* (67,291 visitors), the *2014 Sony World Photography Awards* (15,929 visitors), *Boro* (6,314 visitors), *Form Through Colour: Josef Albers, Anni Albers and Gary Hume* (13,805 visitors), *The Syngenta Photography Award 2015: Scarcity Waste*, and *Viktor Popkov: Genius of the Russian Soul* (4,522 visitors).

During the year the Terrace Rooms and Courtyard Rooms were used for a range of displays including *Return of the Rudeboy* (65,202 visitors), *Wounded: the Legacy of War* (32,987 visitors), *Beard* (30,113 visitors), *Burnt Generation: Contemporary Iranian Photography* (27,369 visitors), *AOI Illustration Awards 2014* (13,483 visitors), *A Little History: Nick Cave & Cohorts, 1981-2013* (10,438 visitors), *Vera to Verushka: The Unseen Photographs by Johnny Moncada*, *100 Leading Ladies* (6,460 visitors), and *Futurismo Ancestral: An Offering to Peru by Sixe Paredes* (2,386 visitors).

The Lightwells and Dead House hosted *Museum of Water* (6,256 visitors).

The newly refurbished spaces on the ground and lower floors of New Wing, which are being given over to *Made at Somerset House*, hosted *PJ Harvey: Recording in Progress* (audience of 3,110) and *Mapping the City* (11,986 visitors). Two installations by Gavin Turk, *Porte* and *Now*, also feature prominently in New Wing: the former in the main entrance and the latter on the façade.

Exhibitions in The Courtauld Gallery

Temporary exhibitions staged in North Wing by The Courtauld Gallery in 2014/15 included *Court and Craft: A Masterpiece from Northern Iraq*, *Jasper Johns: Regrets*, *Jack of Diamonds*, and *Egon Schiele: The Radical Nude*. Total visitor numbers were 238,858 (2013/14: 281,228).

Live Events Programme

The Edmond J. Safra Fountain Court was the setting for the major live events:

Summer Series

Summer Series, the eleven nights of concerts, presented in partnership with American Express and Metropolis Music, attracted a total audience of 36,620 (2013/14: 37,400). The line-up consisted of *Daughter*, *Kodaline*, *Agnes Obel*, *The Cat Empire*, *Kelis*, *Bastille*, *Franz Ferdinand*, *Chvrches*, *Sam Smith*, *Clean Bandit* and *Little Dragon*.

Film4 Summer Screen

2014 was the tenth anniversary of *Film4 Summer Screen*, London's most beautiful open-air cinema, spread over fourteen nights and attracting a total audience of 28,256 (2013/14: 28,256 over fourteen nights). The programme featured *Two Days, One Night* (UK premiere), *Rosemary's Baby*, *A Fistful of Dollars* plus *Mad Max 2*, *Gentlemen Prefer Blondes*, *Sense And Sensibility*, *Annie Hall*, *20,000 Days On Earth* (UK premiere), *The Great Beauty*, *Hairspray* (1988) plus *Spring Breakers*, *Ghost Busters* plus *Big Trouble In Little China*, *The Royal Tenenbaums*, *The 400 Blows*, *E.T. Extra Terrestrial* (voted for by the public), and *What We Do In The Shadows* (UK premiere).

Behind the Screen, a diverse and entertaining programme of talks, workshops and family activities which is run alongside *Film4 Summer Screen*, brings the world of cinema into sharper focus with special events and guests providing unique insights into a world that usually only exists on the big screen, featured *Shot On Site - The Somerset House Film Tour*, *Hollywood Glamour*, *Iain Forsyth & Jane Pollard in Conversation*, *Ten Years of Film4 Shorts*, *The Secret Life of the Teen Movie*, *Exploring Suspense Filmmaking Challenge*, *How to be a Purple Cow in the Film Industry*, *Richard Ayoade - Films of My Life*, *Tessa Ross - Films of My Life*, and *Jemaine Clement & Taika Waititi in Conversation*.

Skate

Skate at Somerset House presented by Fortnum & Mason, London's most glamorous ice rink, was open for eight weeks from mid-November 2014 until the beginning of January 2015 and attracted 132,040 skaters of all ages (2013/14: 111,443 over seven weeks). A range of experiences was on offer to attract skaters of all abilities and ages, including *Penguin Club* for beginners under the age of 8 years, *Skate School* to improve the skills of skaters of all abilities, and *Club Nights* for late-night open-air clubbing.

report of the board of trustees (continued)

Cultural Programme (continued)

Coinciding with *Skate*, the Trust held an exhibition entitled *Fashioning Winter*, which looked at elements of fashion trends in cold climates from the early twentieth century onwards. Nine small displays, each with its own curator, were dotted throughout the public areas of Somerset House.

London Fashion Week

Since the inception of *London Fashion Week* at Somerset House in September 2009, this major fashion event for the UK has been held every September and February followed by *London Fashion Weekend*, which allows the public the chance to view and buy the creations of the UK's top designers.

In March 2015 the British Fashion Council announced that *London Fashion Week* would leave Somerset House, though they will remain an important tenant. In May 2015 the Trust announced an exciting new partnership with the *London Design Week*, and the first event will be held in September 2015.

Learning and participation

Somerset House offers a range of creative learning and participation opportunities for adults, families, students, and young people. Inspired by the lively programme of events and exhibitions, year-round activities include practical workshops, talks and film screenings, and late events with a blend of making, music and projections. Families enjoyed free Saturday workshops, and drop-ins during the holidays including creative writing, crafting and design challenges. For schools and colleges the programme offers exhibition preview tutor evenings and educational tours. Highlights included over 50 specially curated demos, talks and workshops for *Pick Me Up*, veterans talking to school groups alongside *Wounded: The Legacy of War*, a series of screenings of award-winning documentaries followed by Q & A sessions in collaboration with Dartmouth Films, a symposium alongside *Guy Bourdin: Image Maker* with the Fashion Research Network, a talk with Massimo Banzi one of the founders of Arduino, bearded life drawing with Art Macabre and a 'Beard Booth' competition for *Beard*, in addition to spotlight and educational tours for visiting school and college groups of *Guy Bourdin* and *Return of the Rudeboy*.

As in previous years, free school and community skating allowed some 2,010 school children and wheelchair users from London to skate (2013/14: approximately 2,080).

There has also been an increased relationship with the tenant community of Somerset House, with creative partners including The Culture Capital Exchange, Sound and Music and Makerversity, new external partners included Elle Magazine, Harper's Bazaar, Ravensbourne, and The Guardian Live. Overall, some 160 events took place across the site with approximately 7,200 participants.

Made at Somerset House

In the past, Somerset House has hosted a number of artists and designers. This part of our activity is being expanded significantly with the creation of Made At Somerset House, affordable space for creative people in the centre of London. The first part of this was the arrival of Makerversity, a making and learning space in New Wing, which provides affordable and accessible spaces for makers, experimenters, and pioneers. In late 2014 Playhubs was established, a new incubator for digital games makers. From 2015 we will start to make space available for artists of all disciplines. By the end of 2016 we aim to have over 250 artist and makers resident at Somerset House, which will make us one of the largest creative spaces in London.

Valuing volunteers

The Trust has an active volunteer programme. The information desk in the Seamen's Hall is staffed throughout the year by volunteers who provide information to visitors. During the financial year, the Trust's 130 volunteers (2013/14: 250 volunteers) collectively contributed time equivalent to 10,320 working hours (2013/14: 11,029) with an estimated value of approximately £107,500 (2013/14: £105,000). The value of this contribution is not included in these financial statements. A programme of guided tours around areas of Somerset House is provided by the volunteers, with 5,285 visitors taking part (2013/14: 5,707) in 324 tours. The Trust continues to offer work placements, mostly for young people as part of their education. The Trustees greatly appreciate the valuable contribution made by those who volunteer at Somerset House and thank them for their continuing support.

Financial Review and Pricing Policy

Statement of financial activity

Total incoming resources amounted to £12,910,886 (2013/14 : £10,863,771) and comprised principally rental and service charge income from the Trust's tenants, ticket income from the cultural programme, and, through the Trust's trading subsidiary, income from private hire of space and sponsorship. This increase in turnover is primarily the result of rental income and property management income from the newly refurbished New Wing (including the Spring restaurant) (2014/15 income: £6,857,977, 2013/14 income: £4,734,018).

report of the board of trustees (continued)

Statement of financial activity (continued)

Income from the cultural and artistic programme decreased to £2,783,473 (2013/14: £3,014,000) due to the lack of a major summer exhibition in 2014. In contrast, the Winter Programme, comprising *Skate* and *Guy Bourdin: Image Maker* performed particularly strongly.

Total resources expended increased to £13,891,001 (2013/14: £13,692,297). The most significant increase was in rental and property management costs to £7,826,690 (2013/14: £6,717,660) which reflects the increased costs of maintaining the entire Somerset House estate which has now largely been brought into use by the Trust, together with one-off professional fees in connection with major new tenants.

Expenditure on cultural and public events reduced to £3,263,958 (2013/14: £4,256,827), with net funding of the cultural programme reducing to £480,485 in 2014/15 (2013/14: £1,242,827), reflecting lower costs incurred on the exhibitions programme.

Net outgoing resources for the year were a loss of £983,718 (2013/14 loss: £2,832,566). This is after charging depreciation of £2,906,543 (2013/14: £2,788,391), which arises on the capital investment in the estate and is a non-cash item.

Operating profits at Somerset House Enterprises Limited, the wholly owned subsidiary which carries out non-primary purpose trading and taxable activities, rose to £2,479,346 (2013/14: £2,173,115) due to increased venue hire activity.

In summary, the Trust continues to operate each year with a satisfactory level of surpluses, which is necessary in order to continue to allocate significant resources to developing and expanding the cultural programme, funding major capital works across the estate, as well as repaying bank debt. In 2014/15 the operating surplus was £1,926,428 (2013/14 operating deficit: £40,135). The key numbers showing the financial strength of the Trust are set out in the table below:

Somerset House Trust financial performance

Summary consolidated statement of financial activities

	2014/15	2013/14
	£	£
Total incoming resources	12,910,886	10,863,771
Total resources expended before depreciation and amortisation	(10,984,458)	(10,903,906)
Operating surplus/(deficit)	1,926,428	(40,135)
Depreciation and amortisation	(2,906,543)	(2,788,391)
Net outgoing resources before taxation	(980,115)	(2,828,526)
Tax on profit on ordinary activities	(3,603)	(4,040)
Net outgoing resources	(983,718)	(2,832,566)

Summary consolidated aggregate of assets, liabilities and funds

	2015	2014
	£	£
Assets	99,582,535	94,407,249
Liabilities	(7,013,054)	(6,695,855)
Funds	92,569,481	87,711,394

Balance sheet

At 31 March 2015, net assets amounted to £92,569,481 (2013/14: £87,711,394), of which the leasehold valuation represents £75,875,385 (2013/14: £69,189,274). The leasehold valuation represents the estimated future rental income to be earned over the life of the headlease. It was revalued at 31 March 2015 with the result that the valuation increased by £5,841,805.

Unrestricted funds include general funds and the revaluation reserve and these can be applied to the charitable objects of the Trust as the Trustees determine. At 31 March 2015 unrestricted funds amounted to £92,759,536 (2013/14: £87,924,484). The debit balance on the restricted reserve of £190,055 (2013/14: £213,090) represents funds received from certain tenants in respect of maintenance and service charges and which can only be spent in accordance with the terms of those tenants' leases.

report of the board of trustees (continued)

Cash flow statement

Net cash increased during the year, with a net inflow of £583,499 (2013/14 outflow: £5,250,352), resulting in a net cash balance at 31 March 2015 of £3,753,129 (2013/14: £3,169,630). The favourable cash inflow in 2014/15 is the result of strong operating cashflows of £2,857,222 (2013/14 outflow: £298,562) more than offsetting the ongoing capital expenditure of £1,954,589 (2013/14: £4,681,233), principally on continuing refurbishment costs of New Wing and the ongoing capital repayments to the bank of £425,000 (2013/14: £425,000).

Reserves policy

The reserves policy of the Trust takes into account the largely cyclical income streams and the predominantly fixed expenditure streams. As a result, when the board adopted a formal reserves policy in 2011 it was decided to focus on liquidity. The policy is to hold cash balances, excluding debt, at the year end equivalent to at least two months' average annual revenue expenditure (excluding depreciation and amortisation). The Trust continues to meet this requirement.

The Board regularly reviews the level of reserves and cash flow forecasts to ensure these are sufficient to meet the needs of the Trust. Given the current regular and reliable nature of rental income and the ability to identify new tenants on a timely basis to occupy the newly refurbished wings, and the resultant expectation that these will continue for the foreseeable future, 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.

Ongoing expenditure on the capital programme and repayment of bank debt and asset financing leases will reduce the cash reserves making this target more challenging. However, the Trust still intends to meet its reserves targets by maintaining a focus on improving profitability and tight working capital management. The reserves policy will be reviewed annually to ensure it continues to fit the requirements of the Trust.

Public benefit

In shaping the objectives for the year and planning the Trust's activities, the Trustees have considered the Charity Commission's guidance on public benefit and fee charging in complying with their duty in section 4 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission. In setting the level of charges and concessions, the Trustees have given careful consideration to the accessibility of the site to all members of the public, whatever their means.

Access to many of our spaces and exhibitions is free.

Chargeable activities include exhibitions in the Embankment Galleries, exhibition talks, the Summer Programme of films and gigs, the skating rink and learning workshops. Concessionary, family, and off-peak tickets are available for a number of these activities.

Plans for future periods

The Trust's vision is to complete the restoration of the estate, create a sustainable cultural community to occupy it, and make this site one of the most important artistic and cultural centres in London. To achieve this vision, the Trust's plans include:

- Complete the restoration of New Wing, thereby providing public access to all wings at ground level, including new spaces in which to showcase arts and events. The lower floors will be colonised by a wide variety of makers, artists, and designers who will contribute to the unique cross-disciplinary arts community and stimulate creativity on the site.
- Develop Somerset House to become a cultural powerhouse with a vibrant artistic programme spanning exhibitions, live music, films, the spoken word, performing arts, and sculpture, making full use of both the grand public spaces and hidden locations of the buildings.
- Complete the installation of a Combined Cooling, Heating and Power plant so that the Trust can meet the growing energy requirements of a busier site whilst continuing to reduce its carbon footprint. This is one of a number of green energy policies adopted by the Trust.
- Stimulate the imagination of the public with this outstanding example of English national heritage.

Statement of trustees' responsibilities

The trustees (who are also directors of Somerset House Trust for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulations.

report of the board of trustees (continued)

Statement of trustees' responsibilities (continued)

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditors are unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The Board has taken a decision to re-appoint PricewaterhouseCoopers LLP as auditors for the coming year.

The Trustees' Report, including the Strategic Report, was approved by the Trustees on 15 July 2015 and signed on their behalf on 17 September 2015 by:

Mark Pain

Chairman of the Finance and Audit Committee

Independent auditors' report to the Members and Trustees of Somerset House Trust

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2015 and of the group's incoming resources and application of resources, including its income and expenditure and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent charitable company financial statements (the "financial statements"), which are prepared by Somerset House Trust, comprise:

- the consolidated balance sheet as at 31 March 2015;
- the company balance sheet as at 31 March 2015;
- the consolidated statement of financial activities for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Trustees, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the Members and Trustees of Somerset House Trust (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the charity's members and trustees as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Fiona Westwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
London
17 September 2015

consolidated statement of financial activities

including income and expenditure account

for the year ended 31 March 2015

	Notes	Unrestricted funds £	Restricted funds £	Total 2014/15 £	2013/14 £
Incoming resources					
Incoming resources from generated funds					
Concessions and venue hire		2,219,753	-	2,219,753	1,775,309
Sponsorship		384,000	-	384,000	605,000
Grants, donations and gifts		72	-	72	35,598
Rental income		5,235,467	-	5,235,467	3,610,894
Bank interest receivable		8,672	-	8,672	16,658
Incoming resources from charitable activities					
Property management and conservation		1,383,407	239,103	1,622,510	1,123,124
Cultural and public events		2,783,473	-	2,783,473	3,014,000
Public education and communication		25,850	-	25,850	8,251
Merchandise income		631,089	-	631,089	674,937
Total incoming resources		12,671,783	239,103	12,910,886	10,863,771
Resources expended					
Cost of generating funds					
Concessions and venue hire		(855,397)	-	(855,397)	(846,280)
Sponsorship costs		(12,135)	-	(12,135)	(31,056)
Fundraising costs of grants and donations		(1,925)	-	(1,925)	(47,028)
Rental costs		(1,400,419)	-	(1,400,419)	(1,093,678)
Interest payable and similar charges	3	(145,128)	-	(145,128)	(122,563)
Cost of charitable activities					
Property management and conservation		(6,210,203)	(216,068)	(6,426,271)	(5,623,982)
Cultural and public events		(3,263,958)	-	(3,263,958)	(4,256,827)
Public education and communication		(944,334)	-	(944,334)	(831,762)
Merchandise costs		(419,575)	-	(419,575)	(454,933)
Governance costs		(421,859)	-	(421,859)	(384,188)
Total resources expended		(13,674,933)	(216,068)	(13,891,001)	(13,692,297)
Tax on profit on ordinary activities	4	(3,603)	-	(3,603)	(4,040)
Net (outgoing) / incoming resources	5	(1,006,753)	23,035	(983,718)	(2,832,566)
Gain on revaluation of fixed assets	6	5,841,805	-	5,841,805	-
Net movement in funds		4,835,052	23,035	4,858,087	(2,832,566)
Fund balances brought forward at 1 April		87,924,484	(213,090)	87,711,394	90,543,960
Fund balances carried forward at 31 March		92,759,536	(190,055)	92,569,481	87,711,394

The net income or expenditure for the year for Companies Act purposes is represented by the net (outgoing) / incoming resources in the consolidated statement of financial activities. There is no material difference between the profit on ordinary activities before taxation and the retained profit for the current or prior year stated above and their historical cost equivalents. All gains and losses recognised in the current and prior year are included in the Statement of Financial Activities. All amounts derive from continuing operations.

consolidated balance sheet

as at 31 March 2015

	Notes	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Fixed assets					
Tangible fixed assets	6	91,913,844	-	91,913,844	86,900,290
Current assets					
Stocks		25,039	-	25,039	23,414
Debtors	8	2,645,075	-	2,645,075	2,813,915
Cash at bank and in hand		5,188,632	(190,055)	4,998,577	4,669,630
Total current assets		7,858,746	(190,055)	7,668,691	7,506,959
Current liabilities					
Creditors: amounts falling due within one year	9	(5,923,524)	-	(5,923,524)	(5,104,349)
Net current assets / (liabilities)		1,935,222	(190,055)	1,745,167	2,402,610
Total assets less current liabilities		93,849,066	(190,055)	93,659,011	89,302,900
Bank loans due after more than one year	11	(650,000)	-	(650,000)	(1,075,000)
Finance leases	10	(439,530)	-	(439,530)	(516,506)
Creditors: amounts falling due after more than one year	10	(1,089,530)	-	(1,089,530)	(1,591,506)
Net assets / (liabilities)		92,759,536	(190,055)	92,569,481	87,711,394
The funds of the group:					
General funds	12	34,552,993	-	34,552,993	35,559,746
Revaluation reserves	12	58,206,543	-	58,206,543	52,364,738
Restricted reserves	12	-	(190,055)	(190,055)	(213,090)
Total funds		92,759,536	(190,055)	92,569,481	87,711,394

The financial statements on pages 14 to 29 were approved by the Board of Directors on 15 July 2015 and signed on its behalf on 17 September 2015 by:

Mark Pain
Chairman of the Finance and Audit Committee

Mark Stuart-Smith
Chief Operating Officer

charity balance sheet

as at 31 March 2015

	Notes	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Fixed assets					
Investments	7	1	-	1	1
Tangible fixed assets	6	91,913,844	-	91,913,844	86,900,290
		<u>91,913,845</u>	<u>-</u>	<u>91,913,845</u>	<u>86,900,291</u>
Current assets					
Debtors	8	2,543,793	-	2,543,793	4,245,410
Cash at bank and in hand		3,909,424	(190,055)	3,719,369	2,292,823
Total current assets		<u>6,453,217</u>	<u>(190,055)</u>	<u>6,263,162</u>	<u>6,538,233</u>
Current liabilities					
Creditors: amounts falling due within one year	9	(4,527,996)	-	(4,527,996)	(4,145,624)
Net current assets / (liabilities)		<u>1,925,221</u>	<u>(190,055)</u>	<u>1,735,166</u>	<u>2,392,609</u>
Total assets less current liabilities		<u>93,839,066</u>	<u>(190,055)</u>	<u>93,649,011</u>	<u>89,292,900</u>
Bank loans due after more than one year	11	(650,000)	-	(650,000)	(1,075,000)
Finance leases	10	(439,530)	-	(439,530)	(516,506)
Creditors: amounts falling due after more than one year	10	(1,089,530)	-	(1,089,530)	(1,591,506)
Net assets / (liabilities)		<u>92,749,536</u>	<u>(190,055)</u>	<u>92,559,481</u>	<u>87,701,394</u>
The funds of the charity:					
General funds	12	34,542,993	-	34,542,993	35,549,746
Revaluation reserves	12	58,206,543	-	58,206,543	52,364,738
Restricted reserves	12	-	(190,055)	(190,055)	(213,090)
Total charity funds		<u>92,749,536</u>	<u>(190,055)</u>	<u>92,559,481</u>	<u>87,701,394</u>

The financial statements on pages 14 to 29 were approved by the Board of Directors on 15 July 2015 and signed on its behalf on 17 September 2015 by:

Mark Pain
Chairman of the Finance and Audit Committee

Mark Stuart-Smith
Chief Operating Officer

consolidated cash flow statement

for the year ended 31 March 2015

	Notes	2014/15 £	2013/14 £
		<u> </u>	<u> </u>
Net cash inflow / (outflow) from operating activities	A	2,857,222	(298,562)
Returns on investments and servicing finance			
Interest received		8,672	16,658
Interest paid		(145,128)	(122,563)
Capital expenditure			
Payments to acquire tangible fixed assets		(1,954,589)	(4,681,233)
Financing			
Decrease in term loan	B	(425,000)	(425,000)
Increase in loan facility to acquire tangible fixed assets	B	170,448	-
Finance lease capital repayments		(182,678)	(164,652)
Increase / (decrease) in cash	C	<u><u>328,947</u></u>	<u><u>(5,675,352)</u></u>

notes to the consolidated cash flow statement

A Reconciliation of net incoming / (outgoing) resources to net cash inflow from operating activities

	2014/15	2013/14
	£	£
Net outgoing resources before bank charges & interest	(847,262)	(2,726,661)
Depreciation and amortisation	2,906,543	2,788,391
Loss on disposal of fixed assets	3,990	831
Increase in stock	(1,625)	(4,844)
Decrease / (increase) in debtors	168,840	(929,397)
Increase in creditors	626,736	573,118
Net cash inflow / (outflow) from operating activities	2,857,222	(298,562)

B Reconciliation of net cash flow to changes in net cash

	2014/15	2013/14
	£	£
Increase / (decrease) in cash in the year	328,947	(5,675,352)
Decrease in loans	254,552	425,000
Increase / (decrease) in net cash	583,499	(5,250,352)
Net cash at 1 April	3,169,630	8,419,982
Net cash at 31 March	3,753,129	3,169,630

C Analysis of changes in net cash

	At 31 March 2014	Movement	At 31 March 2015
	£	£	£
Cash at bank and in hand	4,669,630	328,947	4,998,577
Bank loans repayable within one year	(425,000)	(170,448)	(595,448)
Bank loans repayable after more than one year	(1,075,000)	425,000	(650,000)
Net cash	3,169,630	583,499	3,753,129

notes to the financial statements

1 Accounting policies

a) Basis of preparation

These financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and in accordance with the reporting requirements of the Companies Act 2006, applicable accounting standards in the United Kingdom, the Charities Act 2011 and the charities Statement Of Recommended Practice.

In adopting the going concern basis for preparing the financial statements the Trustees have considered the business activities and principal risks set out in the Report of the Board of Trustees on pages 3 to 11. The Trustees have reviewed the latest financial forecasts and are satisfied that the Trust will be able to operate within the level of its existing bank facilities for the foreseeable future. For this reason the Trust continues to adopt the going concern basis in preparing its financial statements.

The consolidated statement of financial activities (SOFA) and the consolidated balance sheet consolidate the financial statements of the Trust and of its wholly-owned subsidiary undertaking, Somerset House Enterprises Limited. The results of the subsidiary are consolidated on a line-by-line basis and the balances and transactions between group companies are eliminated upon consolidation. All profits generated by the subsidiary are paid to the Trust by means of a gift aid transfer.

No separate SOFA has been presented for the Charity alone as permitted by Section 408 of the Companies Act 2006 and paragraph 397 of the 2005 SORP. The turnover of the Charity for the year was £9,220,188 (2013/14: £7,616,639) and its net result was a deficit of £3,459,461 (2013/14 deficit: £5,001,641).

The accounting policies set out below have been applied consistently throughout the current and prior year.

b) Incoming resources

Income is recognised in the financial statements when the Trust or its subsidiary is legally entitled to the income and the amount can be quantified with reasonable accuracy. Rental income is recognised on an accruals basis. 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 within the financial statements for services donated by volunteers. All income recognised in the financial year was generated in the United Kingdom.

c) 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 the use of those resources.

- Costs of generating funds are incurred in undertaking the trading activities of the subsidiary company as well as in raising corporate sponsorship, grants and donations and rental activity.
- Cost of charitable activities include all costs associated with the furtherance of the mission and objects of the Trust. This includes expenditure on property management and conservation to maintain the estate, and expenditure incurred on artistic, cultural, and educational events.
- Governance costs include those incurred in the governance of the charity and its assets, notably senior management remuneration, audit fees and legal fees.
- Support costs comprise mainly legal costs, professional fees, IT expenditure and general management costs, as detailed in note 14. Support costs are apportioned across the resources expended categories on a basis consistent with their use, principally in proportion to total resources used.

d) 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 for leasehold improvements is charged on a monthly basis starting with the month in which the asset was brought into use. For all other assets depreciation is charged for a full year in the year of acquisition, and not in the year of disposal. Assets costing more than £1,000 with an expected useful life of more than one year are capitalised.

notes to the financial statements (continued)

1 Accounting policies (continued)

Leasehold valuation

Somerset House Trust holds a headlease from the Secretary of State for the Environment, Transport and the Regions, dated 11 December 1997, for a period of 128 years, from 29 September 1997 to 24 December 2125. The headlease was revalued at 31 March 2010 on an in-use basis in accordance with FRS 15, calculating the net present value of the anticipated income from tenants over the term of the headlease, allowing for refurbishment costs and void periods, as deemed necessary, and using a discount rate which reflects the risk attached to these rental streams. A revaluation reserve of £52,364,738 was created upon revaluation of the leasehold asset in 2009/10. Revaluation of the headlease is undertaken on a quinquennial basis, with impairment reviews undertaken annually. A full revaluation exercise has therefore been carried out at 31 March 2015, on the same basis as in 2009/10, on an in-use basis in accordance with FRS 15. This has led to a revaluation adjustment of £5,841,805, taking the balance on the revaluation reserve to £58,206,543. Future valuation gains and losses will be transferred to the revaluation reserve to the extent they do not represent an impairment or reversal of an impairment in which case they will be recognised in the statement of financial activity.

The headlease is amortised on a straight line basis over the remaining life of the lease. Following the first revaluation in 2009/10, the amortisation of the leasehold valuation was allocated equally over 115 years, the remaining life of the lease starting from 2010. Following the latest revaluation, the amortisation charge will be recalculated and allocated evenly over 110 years. It is not currently the policy of the Trust to transfer the accumulated amortisation on the leasehold valuation from the General Funds to the Revaluation Reserve.

The building works to the first, second and third floors of South Wing, which were undertaken mainly from 2005 onwards in order to make them suitable for commercial letting to tenants, and to West Wing (excluding the ground floor), which were undertaken between 2011 and 2013, as well as the upper floors and part of the ground floor of New Wing, undertaken between 2013 and 2015, are included in the leasehold valuation, as they impact on the in-use valuation of the property. These works are depreciated over either 10 years or 25 years, based on their anticipated expected useful economic life.

Leasehold improvements

Leasehold improvements comprise significant building works to those areas designated as public realm. This comprises principally the ground and lower floors of South Wing, the Embankment Galleries, and the Courtyard and River Terrace, which was undertaken largely between 1998 and 2004. It also comprises the ground floor of East Wing, which was refurbished in 2010 and 2011, and the ground floor of West Wing, which was redeveloped between 2011 and 2013.

These building works are depreciated over either 10 years or 25 years, based on their anticipated expected useful economic life. Although there is not the expectation of earning a full commercial return, these leasehold improvements are capitalised as they represent the Trust's investment in its charitable objects. The ground floor of West Wing is classified as leasehold improvements as it is designated as public realm.

The redevelopment of the lower floors of New Wing is ongoing and the costs are therefore included in Assets in the course of construction at the year end until such time as they are brought into use.

Finance leases

Assets acquired under finance leases are included within fixed assets at the total of the lease payments due over the life of the lease discounted at the rate of interest inherent in the lease. The same amount is included in creditors. Rental payments are apportioned between the finance element, which is charged in the statement of financial activity, and the capital element, which reduces the lease creditor.

Depreciation, amortisation and impairment

Tangible fixed assets are stated at cost or valuation, net of depreciation or amortisation, and any provision for impairment. Depreciation is charged on a straight-line basis over the estimated useful life of the assets, as follows:

• Leasehold valuation	115 years
• Leasehold valuation additions	10 and 25 years
• Leasehold improvements	10 and 25 years
• Fixtures, fittings and equipment	3 and 5 years

As the Leasehold valuation has a useful economic life of more than 50 years an annual impairment review is performed in accordance with FRS 15.

notes to the financial statements (continued)

1 Accounting policies (continued)

e) Fund accounting

Balance sheet reserves have been allocated between two categories:

- Unrestricted reserves comprise accumulated surpluses and deficits on general funds and are available for use at the trustees' discretion in furtherance of the Trust's general charitable objectives.
- Restricted reserves consist of amounts subject to specific restrictions, within the objects of the charity, imposed by the donor or arising from contractual obligations, notably in connection with the maintenance and service charge funds established to comply with the terms of the lease between the Trust and King's College London.

f) Pension costs

Contributions are made to employees' personal pension plans and these are accounted for on an accruals basis. A defined contribution workplace pension scheme was set up during the year.

g) Deferred income

Deferred income relates to rental and service charge income and deposits for venue hire invoiced in advance. Income is deferred to the accounting period to which the service relates irrespective of whether the cash has been received.

2 Analysis of resources expended

	Direct costs £	Support costs £	2014/15 £	2013/14 £
Cost of generating funds				
Concessions and venue hire	(715,742)	(139,655)	(855,397)	(846,280)
Sponsorship costs	(12,135)	-	(12,135)	(31,056)
Fundraising costs of grants and donations	(1,925)	-	(1,925)	(47,028)
Rental costs	(1,362,331)	(38,088)	(1,400,419)	(1,093,678)
Interest payable and similar charges	-	(145,128)	(145,128)	(122,563)
Cost of generating funds	(2,092,133)	(322,871)	(2,415,004)	(2,140,605)
Cost of charitable activities				
Property management and conservation	(6,375,487)	(50,784)	(6,426,271)	(5,623,982)
Cultural and public events	(3,175,086)	(88,872)	(3,263,958)	(4,256,827)
Public education and communication	(660,103)	(284,231)	(944,334)	(831,762)
Merchandise costs	(394,184)	(25,391)	(419,575)	(454,933)
Cost of charitable activities	(10,604,860)	(449,278)	(11,054,138)	(11,167,504)
Governance costs	(320,292)	(101,567)	(421,859)	(384,188)
Total resources expended	(13,017,285)	(873,716)	(13,891,001)	(13,692,297)

3 Interest payable and similar charges

	2014/15 £	2013/14 £
Interest payable on overdrafts and bank loans	(94,211)	(82,850)
Finance lease interest	(50,917)	(39,713)
	(145,128)	(122,563)

notes to the financial statements (continued)

4 Tax on profit on ordinary activities

	2014/15	2013/14
	£	£
UK Corporation Tax - current tax charge	6,988	3,385
Adjustment in respect of previous periods	(3,385)	655
Tax on profit on ordinary activities	3,603	4,040

Current tax reconciliation:

	2014/15	2013/14
	£	£
Profit on ordinary activities before taxation	2,479,346	4,040
Tax on profit at UK corporation tax rate of 20%	495,869	808
Effects of:		
Expenses not deductible for tax purposes	2,883	2,577
Adjustment in respect of previous periods	(3,385)	655
Expected qualifying charitable donations (note 1)	(491,764)	-
Current tax charge for the period	3,603	4,040

The current year tax liability disclosed above is considered unlikely to crystallise as a result of Somerset House Enterprises Limited's intention to carry back a donation of interim surpluses generated in 2015/16. On the basis that this is contingent upon future events, a tax liability has however been disclosed above and on the face of the SOFA to reflect the position as at the year end.

5 Net (outgoing) / incoming resources

Net (outgoing) / incoming resources are stated after charging the following:

	2014/15	2013/14
	£	£
Auditors' fees:		
- for audit of Somerset House Trust	33,000	32,250
- for audit of Somerset House Enterprises Limited	7,000	6,750
	40,000	39,000
Depreciation and amortisation:		
- leasehold valuation	857,297	757,068
- leasehold improvements	1,576,057	1,578,691
- fixtures, fittings and equipment (owned)	267,650	244,161
- fixtures, fittings and equipment (leased)	205,539	208,471
	2,906,543	2,788,391

notes to the financial statements (continued)

6 Tangible fixed assets (Charity & Group)

	Leasehold valuation	Leasehold improvements	Assets in the course of construction	Fixtures, fittings & equipment	Total
	£	£	£	£	£
<u>Cost or valuation</u>					
At 1 April 2014	72,239,560	39,247,489	752,017	2,044,212	114,283,278
Additions	287,540	239,502	1,081,319	473,921	2,082,282
Disposals	-	(10,000)	-	(8,405)	(18,405)
Transfers	1,414,063	-	(1,426,960)	12,897	-
Revaluation	1,934,222	-	-	-	1,934,222
At 31 March 2015	75,875,385	39,476,991	406,376	2,522,625	118,281,377
<u>Accumulated depreciation</u>					
At 1 April 2014	3,050,286	23,147,453	-	1,185,249	27,382,988
Charge for the year	857,297	1,576,057	-	473,189	2,906,543
Disposals	-	(7,000)	-	(7,415)	(14,415)
Revaluation	(3,907,583)	-	-	-	(3,907,583)
At 31 March 2015	-	24,716,510	-	1,651,023	26,367,533
<u>Net book value</u>					
At 31 March 2015	75,875,385	14,760,481	406,376	871,602	91,913,844
At 31 March 2014	69,189,274	16,100,036	752,017	858,963	86,900,290

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

Revaluation of the headlease is undertaken on a quinquennial basis with the last full valuation undertaken at 31 March 2015. The property is valued on an in-use basis, based on the estimated future rental income to be earned over the life of the headlease, which ends on 24 December 2125. It has been assumed that existing tenants' leases will continue to the end of their term or break clause, and that thereafter space will be let at market rates, taking into account refurbishment costs and void periods. It is assumed that there will be no material change in the size of the Somerset House estate currently available for sub-letting as office space. The revaluation was undertaken by the Chief Operating Officer, an employee of the Charity.

A range of discount rates of between 5.0% and 7.5% has been applied to determine a net present value. The range of discount rates reflects, first, the perceived risk attaching to the various tenants, some of whom are large, global companies and others are small, start-up businesses, and secondly, the fact that the current peppercorn rent payable to DCMS under a deed of variation between the Trust and The Secretary of State for Communities and Local Government dated 22 December 2009, expires on 28 September 2017, and new terms need to be agreed.

7 Investments

	2015 £	2014 £
Trust		
At 1 April and at 31 March	1	1

The Trust owns the whole of the issued ordinary share capital of Somerset House Enterprises Limited, a company registered in England. The subsidiary carries out non-primary purpose trading and taxable activities, including venue hire, renting retail and office space, raising sponsorship for events and exhibitions, and merchandising. All activities have been consolidated on a line-by-line basis in the SOFA. A summary of the results of the subsidiary is shown below.

notes to the financial statements (continued)

7 Investments (continued)

<u>Somerset House Enterprises Limited</u>	2015 £	2014 £
Turnover	3,690,698	3,247,132
Costs of sales	(1,204,352)	(1,067,267)
Gross profit	2,486,346	2,179,865
Administrative expenses	(7,000)	(6,750)
Operating profit	2,479,346	2,173,115
Payment to Somerset House Trust	-	(2,169,075)
Profit on ordinary activities before taxation	2,479,346	4,040
Tax on profit on ordinary activities	(3,603)	(4,040)
Profit for the financial year	2,475,743	-

The aggregate of the assets, liabilities and funds was:

	2015 £	2014 £
Assets	2,087,608	3,032,532
Liabilities	(2,077,607)	(3,022,531)
Funds	10,001	10,001

Technical guidance was issued by the ICAEW in October 2014 requiring that, where a wholly owned trading subsidiary gift aids its profits to its parent charity, the payments are treated as distributions in the same way as dividends. The Directors of Somerset House Enterprises Limited notified the Trust on 18 March 2015 that it intends to pay its available profits to the Trust after the year end. As such, Somerset House Enterprises Limited has an obligation to make this distribution at 31 March 2015 and so has recognised this obligation within its financial statements. In the absence of a formal commitment to make the distribution pre-dating the start of the financial year, this obligation is accounted for as a distribution of profit from shareholder's funds rather than an expense. Management have considered that it is not necessary to restate last years amounts for this change in guidance.

8 Debtors

	Charity 2015 £	Charity 2014 £	Group 2015 £	Group 2014 £
Trade debtors	714,930	1,000,630	1,394,937	1,591,265
Amounts owed by group undertakings	682,078	2,063,806	-	-
Other debtors	8,585	940	13,048	4,958
Prepayments and accrued income	1,138,200	1,180,034	1,237,090	1,217,692
	2,543,793	4,245,410	2,645,075	2,813,915

notes to the financial statements (continued)

9 Creditors: amounts falling due within one year

	Charity 2015 £	Charity 2014 £	Group 2015 £	Group 2014 £
Bank loans (note 11)	595,448	425,000	595,448	425,000
Finance leases (note 19)	187,320	165,329	187,320	165,329
Trade creditors	907,641	1,334,473	1,031,294	1,426,473
Taxation and social security	234,845	189,668	552,689	360,540
Other creditors	286,080	116,935	286,080	116,935
Accruals	807,710	621,418	906,085	651,523
Deferred income	1,508,952	1,292,801	2,364,608	1,958,549
	4,527,996	4,145,624	5,923,524	5,104,349

Included within Other creditors and Cash at bank and in hand (Charity and Group) is a balance of £264,293 held on trust for a tenant under a Rent Deposit Deed. The Deposit is held in a separate single purpose interest bearing account.

Deferred income

	Charity 2015 £	Charity 2014 £	Group 2015 £	Group 2014 £
Deferred income brought forward	1,292,801	755,434	1,958,549	1,124,918
Released in year	(1,292,801)	(755,434)	(1,958,549)	(1,124,918)
Deferred in year	1,508,952	1,292,801	2,364,608	1,958,549
Deferred income carried forward	1,508,952	1,292,801	2,364,608	1,958,549

10 Creditors: amounts falling due after more than one year

	Charity & Group	
	2015 £	2014 £
Bank loans repayable after more than one year (note 11)	650,000	1,075,000
Finance leases (note 19)	439,530	516,506
	1,089,530	1,591,506

11 Bank loans

	Charity & Group	
	2015 £	2014 £
Amounts repayable:		
- within one year	595,448	425,000
- between one and two years	650,000	425,000
- between two and five years	-	650,000
	1,245,448	1,500,000

On 1 August 2011 the Trust entered into a facility arrangement for £2,925,000 with National Westminster Bank plc. The purpose of the loan was to provide a substantial amount of the funding required for the redevelopment of West Wing, with the balance being funded by operating activities. The financing was to be drawn down any time before 30 September 2013. Additionally, the new facility was used to repay the outstanding balance of £925,000 of the two existing loans ahead of schedule. The new facility attracts interest of LIBOR plus 3.5%. The loan is repayable in annual instalments with the final instalment falling due no later than 1 September 2016.

As a result of an enhancement to the scope of the West Wing redevelopment, on 19 September 2012 the Trust entered into an agreement with the bank to increase the loan to £3,925,000, with the additional £1,000,000 having to be drawn no later than March 2014. All other terms of the loan for £2,925,000 remain unchanged.

notes to the financial statements (continued)

11 Bank loans (continued)

As part of the agreement with HMRC to exit New Wing with effect from 31 March 2013, ahead of the lease termination date of 28 September 2022, HMRC made a substantial termination payment to the Trust, which, together with the successful operating performance of the Trust during the year, meant that there was no longer the need for such sizeable bank borrowings. As a result, on 22 May 2013, the Trust entered into a Supplemental Agreement with National Westminster Bank plc reducing the facility to £2,925,000 and reducing the annual repayments proportionately. The bank also requested that the Trust executed a charge of deposit over a deposit of £1,000,000 held with the bank, to be released pro rata to the completion of the refurbishment of New Wing. The charge was registered at Companies House on 22 May 2013. All other terms of the loan for £2,925,000 remain unchanged.

In the event, during the year the maximum amount drawn under the loan remained £1,925,000. Due to the reduced principal amount drawn, the annual repayments have reduced to £425,000, the first of which was made on 31 March 2014, with the second instalment being made on 31 March 2015. The 3rd instalment falls due by no later than 31 March 2016 and the final instalment of £650,000 falls due by 1 September 2016.

The bank released the £1,000,000 deposit to the Trust on 28 May 2015 and the charge at Companies House was lifted on 25 June 2015.

On 9 December 2014 the Trust entered into an agreement for a lease purchase facility of £1,846,000 with Lombard North Central Plc ("Lombard") for the acquisition of Combined Cooling, Heat and Power plant ("CCHP plant"). The lease purchase facility must be entered into by 30 November 2015, otherwise it will lapse. The interest rate payable will be ICE LIBOR at Lombard fixed rate plus 2.5%. The lease purchase facility will be interest only for the first six months and is repayable over a term of 7.5 years. Also on 9 December 2014, the Trust entered into a loan facility agreement for £1,846,000 for the purpose of funding the progress payments for the construction of the CCHP plant. The interest rate payable on the loan facility is ICE LIBOR plus 2.5%. The loan facility is repayable on completion of the installation of the CCHP plant. The repayment of the loan facility is funded by the proceeds of the sale of the CCHP plant to Lombard in the form of the lease purchase facility referred to above. The amount drawn under the loan facility at 31 March 2015 was £170,448 (2014: Enil).

The Trust also has an overdraft facility of £750,000 which attracts interest of base plus 1.75%, and which was not used during the year and remained unutilised at the year end.

All bank loans are unsecured.

12 Statement of funds

Charity

	At 31 March 2014	Incoming resources	Resources expended	Gain on revaluation of fixed assets	At 31 March 2015
	£	£	£	£	£
<u>Unrestricted funds</u>					
General funds	35,549,746	11,456,828	(12,463,581)	-	34,542,993
Revaluation reserve (note 6)	52,364,738	-	-	5,841,805	58,206,543
Total unrestricted funds	87,914,484	11,456,828	(12,463,581)	5,841,805	92,749,536
<u>Restricted funds</u>					
Maintenance and service charge fund	(213,090)	239,103	(216,068)	-	(190,055)
Total restricted funds	(213,090)	239,103	(216,068)	-	(190,055)
Total funds	87,701,394	11,695,931	(12,679,649)	5,841,805	92,559,481

notes to the financial statements (continued)

12 Statement of funds (continued)

Group

	At 31 March 2014	Incoming resources	Resources expended	Valuation adjustment	At 31 March 2015
	£	£	£		£
<u>Unrestricted funds</u>					
General funds	35,559,746	12,671,783	(13,678,536)	-	34,552,993
Revaluation reserve (note 6)	52,364,738	-	-	5,841,805	58,206,543
Total unrestricted funds	87,924,484	12,671,783	(13,678,536)	5,841,805	92,759,536
<u>Restricted funds</u>					
Maintenance and service charge fund	(213,090)	239,103	(216,068)	-	(190,055)
Total restricted funds	(213,090)	239,103	(216,068)	-	(190,055)
Total funds	87,711,394	12,910,886	(13,894,604)	5,841,805	92,569,481

Unrestricted funds can be applied to the charitable objects of the Trust as the Trustees determine. Restricted funds represent funds received from King's College, London in respect of maintenance and service charges and which can only be spent in accordance with the terms of the lease between the Trust and that tenant. The debit balance on the restricted funds relates to expenditure incurred on the estate in connection with the tenancy of King's College, where expenditure incurred to date in fulfilling its obligations under the lease has exceeded service charge income. Expenditure will be reimbursed by service charge income in future years and the longer term objective is for restricted funds to carry a nil balance.

The revaluation reserve relates to the leasehold valuation and is classified separately from unrestricted funds to present more clearly the level of reserves available for unrealised revaluation gains and losses.

13 Employee details

<u>Staff costs</u>	2014/15	2013/14
	£	£
Wages and salaries	2,280,358	1,930,398
Social security costs	251,730	235,539
Other pension costs	114,602	113,070
Temporary staff salaries (including social security costs)	492,129	590,075
	3,138,819	2,869,082

The other pension costs above include an accrual of £17,239 (2014: £23,565) in respect of amounts due under employees' personal defined contribution schemes.

<u>Emoluments over £60,000</u>	2014/15	2013/14
	Number	Number
£60,001 - £70,000	2	-
£100,001 - £110,000	1	2
£110,001 - £120,000	-	3
£160,001 - £170,000	2	-
£200,001 - £210,000	1	-

The emoluments in the table above include basic salaries paid in 2014/15, bonuses relating to 2013/14 agreed and paid in 2014/15, accrued bonuses relating to 2014/15 and an ex gratia payment to one former employee. The 2013/14 emoluments include basic salaries paid in 2013/14.

Five of the six (2013/14: five) employees earning over £60,000 received pension benefits accruing under the defined contribution scheme. The total accrued contribution to the defined contribution scheme for those employees was £55,369 (2013/14: £55,012) in respect of five employees.

notes to the financial statements (continued)

13 Employee details (continued)

<u>Staff functions</u>	2014/15 Number	2013/14 Number
The monthly average number of employees during the year, analysed by function, was:		
Concessions and venue hire	11	11
Rental	3	2
Property management and conservation	4	4
Cultural and public events	7	7
Public education, communication and visitor services	14	13
Merchandise	2	2
Governance	8	8
	49	47

During the year the permanent staff is supplemented by temporary workers, volunteers and contractors as required by business needs.

14 Allocation of support costs

The Trust allocates its support costs as shown below:

	Costs of generating funds	Costs of charitable activities	Governance	Support costs 2014/15	Support costs 2013/14
	£	£	£	£	£
Professional fees	(19,315)	(37,250)	(11,036)	(67,601)	(147,144)
IT equipment and maintenance	(1,106)	(15,264)	(632)	(17,002)	(20,792)
General management - staff costs	(155,141)	(299,202)	(88,653)	(542,996)	(545,994)
General management - office costs	(147,309)	(97,562)	(1,246)	(246,117)	(157,677)
	(322,871)	(449,278)	(101,567)	(873,716)	(871,607)

Support costs are allocated on the basis disclosed in accounting policy note 1 c).

15 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 (2013/14: £nil). Trustee indemnity insurance was purchased by the charity during the year at a cost of £6,437 (2013/14: £4,500). The charity has taken advantage of the exemption under FRS 8 and has chosen not to disclose transactions with other group entities.

16 Charitable status

Somerset House Trust is a charity registered under the Charities Act 2011 (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.

17 Capital commitments

Capital commitments not provided for as at the year end are as follows:

	Charity & Group	
	2014/15	2013/14
	£	£
Contracted for at 1 April	2,586,032	2,624,779
Commitments entered into during the course of the year and outstanding at the year end	373,157	2,586,032
Utilised during the year	(1,160,686)	(2,624,779)
Contracted at 31 March	1,798,503	2,586,032

notes to the financial statements (continued)

17 Capital commitments (continued)

Capital commitments at 1 April 2014 relate to the redevelopment of New Wing and the CCHP plant. Of the new capital commitments entered into during the course of the year and which existed at 31 March 2015, £1,480,030 relates to the CCHP plant, £146,563 relates to the signage design scheme for the recently refurbished spaces across the estate and £171,910 relates to phase two of the Made At Somerset House refurbishment works. All amounts are expected to become payable within one year.

18 Assets held under finance leases and capitalised in fixtures, fittings and equipment

	2014/15	2013/14
	£	£
<u>Cost</u>		
At 1 April	1,015,146	513,879
Additions	127,693	501,267
At 31 March	<u>1,142,839</u>	<u>1,015,146</u>
<u>Accumulated depreciation</u>		
At 1 April	(402,100)	(193,629)
Charge for the year	(205,539)	(208,471)
At 31 March	<u>(607,639)</u>	<u>(402,100)</u>
Net book value	<u>535,200</u>	<u>613,046</u>

Assets held under finance leases comprise the telephone and wifi infrastructure installed in tenants' offices throughout South, West and New Wings, as well as the telephone and wifi infrastructure and photocopier used by the Trust in its offices in South Wing.

19 Finance leases

Future minimum payments under finance leases are as follows:

	2014/15	2013/14
	£	£
Within one year	227,563	212,834
In more than one year, but not more than five years	478,269	578,328
Total gross payments	705,832	791,162
Future financing charges	(78,982)	(109,327)
Finance lease liability	<u>626,850</u>	<u>681,835</u>