

Registered charity number 1063640
Company number 03388137

Somerset House Trust

Report and financial statements for the year ended 31 March 2017

Somerset House Trust

Legal and Administration details

For the year ended 31 March 2017

Registered office	Somerset House Strand London WC2R 1LA
Registered charity number	1063640
Company number	03388137 incorporated in England and Wales

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*	Mr William Sieghart CBE*	Chair
Ms Judy Gibbons	Mr James Lambert*	
Sir Malcolm Grant	Baroness Lola Young	(resigned 15 March 2017)
Mr Laurence Green	Mr Nitin Sawhney	(resigned 10 May 2017)
Mr Jonathan Higgins	Mrs Melanie Hall QC	(appointed 15 March 2017)
Mr Marcus Lyon	Mr Brian Eno	(appointed 7 December 2016)
Ms Caroline Michel	Mr Julien Sevaux*	(appointed 18 January 2017)
Mr Mark Pain*		

* Member of the Finance and Audit Committee

Executive

Mr Jonathan Reekie CBE	Director	
Mrs Susan Johnston	Chief Operating Officer and Company Secretary	(appointed 11 April 2016) (appointed as Company Secretary 25 May 2016)
Ms Diana Spiegelberg	Deputy Director	
Mr Jonathan Dean	Property Director	(appointed 7 July 2016)

Independent auditors

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

Somerset House Trust

Report of the board of trustees

For the year ended 31 March 2017

Somerset House seeks to be an inspirational creative community where contemporary culture is imagined, created and experienced.

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 one of the most visited attractions in London, with over three million visitors annually.

Highlights of our cultural programme included Utopia 2016, a year of imagination and possibility (in collaboration with our neighbours the Courtauld Institute of Art and Kings College London); an innovative exhibition exploring the work of Bjork through Virtual Reality and other digital media; a celebration of how Stanley Kubrick has inspired numerous artists, filmmakers and musicians; the first London Design Biennale which showcased 37 countries from across the world; and Hair by Sam McKnight. We also continued our regular programme of major events - summer gigs, open air cinema and Skate - and offered several free exhibitions including Malick Sidibé: the eye of Modern Mali in conjunction with the African Art Fair.

Particularly significant in 2016/17 was the launch of Somerset House Studios, an important new creative workspace and platform for leading artists, makers and thinkers. By the end of the year, approximately 250 Studios residents joined our existing resident community of businesses, charities and social enterprises spanning the creative industries, contributing to the vibrancy and energy of this cultural centre as well as providing valuable income to the Trust. Together, our residents form one of the largest and most diverse creative communities in London.

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

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

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 London's 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 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.

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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.

More exhibition and public space was opened up in East Wing in October 2011 and the remainder of East Wing was sub-let 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 and 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 Public Offices for the Salt Office, the Stamp Office, the Tax Office and the Public Lottery Office. The refurbishment of the upper floors was completed in October 2013 and they are fully tenanted. Refurbishment of the ground floor began, and the Spring restaurant and Pennethorne's Café opened to the public in November 2014. In 2015 we began work on the remainder of the ground floor and the lower floors, home to Somerset House Studios, which opened in October 2016. Somerset House Studios is a new experimental workspace within Somerset House connecting around 250 artists, makers and thinkers with audiences.

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 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 arts and contemporary culture, education and learning as well as finance, business, law, social media, technology, marketing, property and fund-raising.

Trustee induction and training

New trustees receive 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. The Chair reviews trustee performance annually. New trustees are appointed having regard to the skills and competencies required by the Trust in delivering its objects.

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,

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For the year ended 31 March 2017

as appropriate, papers covering, inter alia, strategy, the annual budget, longer term financial forecasts, exhibitions and events, and architectural strategy. The Director, Deputy Director, Chief Operating Officer and Property Director attend Board meetings.

In addition, the Finance and Audit Committee, a sub-committee of the board, meets every two months and reviews financial performance and strategy, governance. They examine and reviews methods of financial and internal control and risk management and liaise with the Trust's external auditors.

The committee also recommends to the Board a remuneration strategy for employees giving due regard to the financial and commercial health of the Trust. Trustees consider the remuneration and reward structures of comparable organisations to ensure we remain competitive in attracting and retaining the appropriate skills and experience.

During 2016/17 the Trust endeavoured to review the salaries and wages of all staff and contractors, including Gallery invigilators, cleaners and security guards, and is committed to paying all workers, whether employed directly by the Trust or contracted through a supplier, the London Living Wage going forward.

The Finance and Audit Committee has advisory powers and not decision-making authority, which is retained by the board of trustees.

The trustees are currently reviewing governance arrangements and will implement any changes during 2017/18. The outcome of this review will be reported in the next Report of the board of trustees.

Strategic report

Mission statement

Somerset House seeks to be an inspirational creative community where contemporary culture is imagined, created and experienced.

Strategic objectives

A centre for contemporary culture

- To be dynamic and relevant space for the arts and culture in the 21st century
- To be a centre for debate and exploration of contemporary practice and the creative process

Artist development and innovation

- To offer a nurturing and accessible environment that inspires and supports the brightest creative talents of all generations in today's changing creative landscape and the digital age

Audiences and visitors

- Offer audiences excellent, original cultural experiences exploring new formats
- Access to the site for regular free events

Heritage

- To protect and promote the architectural heritage and history of the site
- To restore and maintain the buildings and site to a high standard

Inclusion and participation

- to have a workforce and a cultural and learning programme that full reflects our society
- to be a champion for London's artist and creative community and to promote the arts and creative industries as a vital and central part of our society

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Financial resilience

- To generate sufficient operating surpluses to fund both the ongoing restoration and maintenance of the site and a dynamic cultural programme
- To operate efficiently and effectively investing our resources wisely to optimise the delivery of our charitable purposes over both the short term and long term.

Impact

Somerset House is committed to demonstrating and maximising its impact, to promote stakeholder engagement, understanding and enjoyment in order to achieve its core objectives.

To this end, in June 2017, following a review of strategic objectives with trustees a number of Key Performance Indicators (KPIs) were under development. These KPIs are designed to measure Somerset House's impact on a consistent basis while focusing stakeholders on what really matters.

KPIs have been developed for the following themes:

- Visitors and cultural programme
 - *including visitor numbers, demographics, ticket sales, free exhibitions, digital engagement, visitor experience*
- Creative community
 - *including number and diversity of arts/ creative industry and residents collaborations, number of artists, makers and creative SMEs in residence/ supported*
- Learning and creative skills development
 - *Including creative skills development across Somerset House residents, participation in Learning activities, collaboration with partner organisations*
- Heritage and sustainability
 - *including management and restoration of the heritage site, environmental savings, sustainable initiatives*
- Financial resilience and investment
 - *including surpluses generated for investment, 'free reserves' against target level, growth and diversity of income streams*
- People
 - *Including staff engagement, retention and development.*

A baseline will be established during 2017/18 and these KPIs will be reported against for the first time in the trustees' report for the year ending 31 March 2018.

Achievements and performance for the year to 31 March 2017

Cultural programme

Launched on 25 January 2016, Utopia 2016: a year of imagination and possibility, was the first major collaboration between Somerset House, the Cultural Institute at King's College London, and the Courtauld Institute of Art. This inaugural 'season' hosted by the Somerset House site was programmed to build on different aspects of our cultural activity and was a constantly evolving series of activities which saw partnerships with the British Library, LSE, Verso and the British Council, and with communities across the UK working with the Arts and Humanities Research Council (AHRC).

A flag, designed by Jeremy Deller and Fraser Muggeridge Studio drew people across the river and in the specially created Utopia Treasury in the Great Arch, we invited visitors to re-imagine how we might live, work and play. Over the year there were 17 exhibitions and installations, 50 larger scale weekend events and talks, and 120 free workshops, each exploring different aspects of the Utopia theme. Over 30 different residents organisations were actively involved during the year, and 70 individual residents presented their vision of Utopia as part of the regular

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lunchtime series 15-minutes of Utopia. Eight schools and colleges and five community groups also developed their own Utopian ideas, on and offsite. The year culminated in 500 Utopian Ideas crowd-sourced from those who participated in the year, now held at utopia2016.com. Exhibitions presented as part of the Utopia season included:

- Out There: Our Post-War Public Art from 3 February to 10 April presented in collaboration with Historic England in the East Wing Galleries (7,587 visitors)
- Now Play This from 1 to 3 April, our weekend games festival (2,025 visitors)
- Pick Me Up, the Trust's annual contemporary graphic arts festival from 21 April to 2 May 2016. This year the 12 day celebration of graphic art, design and illustration had a utopian theme (11,912 visitors)
- Venturing Beyond: Graffiti and the Everyday Utopia of the Street from 13 April to 2 May (32,272 visitors)
- Utopian Voices Here & Now from 6 July to 29 August featured exhibitions and installations across site, including Matthew Stone in the Terrace Rooms and I.B.Kamara in the Courtyard Rooms (27,046 visitors),

Other Utopian events and installations included the Utopian Fair from 24 to 26 June in the courtyard, Refugee Encampment from 30 July to 7 August in Lancaster Place, and the Singing Bridge by Claudia Molitor from 9 September 2016 to 26 February 2017, an installation across Waterloo Bridge.

Somerset House Studios were launched in 2016 (see Somerset House Studios) and a number of spaces in the New Wing hosted exhibitions and events by Studios artists including:

- Coalstore by Something and Son from 27 April to 22 May (1,383 visitors)
- Katie Paterson: Totality from 27 April to 22 May, (2,423 visitors)
- Studio 01 from 27 October to 6 November (1,443 visitors).

Other major exhibitions at Somerset House were:

- Daydreaming with Stanley Kubrick from 6 July to 24 August in the West Wing Gallery (29,488 visitors)
- Hair by Sam McKnight from 2 November 2016 to 12 March 2017 in the Embankment Gallery (15,696 visitors)
- Malick Sidibé: the eye of Modern Mali, from 4 November 2016 to 5 January 2017 in the Terrace Rooms (80,353 visitors)
- Bjork Digital from 23 August to 23 October in the New Wing (37,017 visitors)
- The International Fashion Showcase: Local/Global in collaboration with the British Council, from 17 to 21 February (2,403 visitors)
- Summer Screen Prints with Print Club London from 28 July to 17 August in the East Wing Galleries (9,432 visitors).

Partnership shows included:

- 2016 Sony World Photography Awards from 22 April to 5 May (23,356 visitors)
- Photo London from 19 to 22 May (35,000 visitors)
- AOI World Illustration Awards from 1 to 29 August (10,612 visitors)
- the inaugural London Design Biennale, themed around Utopia, from 7 September to 27 September (20,663 ticket-buying visitors)
- 1:54 Contemporary African Art Fair from 6 to 9 October (17,000 visitors)
- The Syngenta Photography Award exhibition from 9 to 31 March 2017 (7,997 visitors).

The impact of Somerset House's own cultural programme is enhanced by exhibitions presented by our neighbours, The Courtauld Gallery and King's College. Temporary exhibitions staged in North Wing by the Courtauld Gallery in 2016/17 included Bruegel in Black & White: Three Grisailles Reunited from 4 February to 8 May 2016, Botticelli and Treasures from the Hamilton Collection from 18 February to 15 May 2016, Georgiana Houghton: Spirit drawings from 16 June to 11 September 2016, and Rodin and Dance: The Essence of Movement from 20 October 2016 to 22 January 2017.

King's College's Inigo Rooms in the East Wing hosted Paths to Utopia from 1 July to 2 October 2016, linked to our site-wide Utopia season, and Traces of War from 26 October to 18 December 2016.

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Throughout the year we present events in the magnificent setting of the Edmond J Safra Fountain Court.

Summer Series at Somerset House with American Express and Metropolis Music returned for its 13th year in 2016. By the end of the Series, nine out of eleven nights were sold out, with audience figures totalling 34,558 (2015/16: 37,348). The line-up consisted of Hiatus Kaiyote, Paul Heaton & Jacqui Abbott, Benjamin Clementine, Laura Mvula, Everything Everything, James Morrison, Courtney Barnett, Caravan Palace, Jack Savoretti, St. Germain and Unkle: Redux.

Skate at Somerset House, sponsored by Fortnum & Mason, launched on the 16 November 2016 and was open for nine weeks until 14 January 2017 (2015/16: 8 weeks). The rink hosted 117,638 skaters (2015/16: 109,064), with the extra week in January exceeding expected visitor figures. A range of experiences attracted skaters of all abilities and ages, including Polar Club for beginners up to 8 years old, Skate School for skaters of all abilities to improve their skills, and Club Nights for late-night open-air clubbing. As well as 17 nights, the Club Night programme included an early morning session from 6:15am hosted by Morning Gloryville.

The 14 night Film4 Summer Screen continued to showcase cult, contemporary and classic films. The programme featured three premieres, two double-bills and, linked to the Kubrick exhibition on site, the film voted the 'Best of Ten' Kubrick films by the audience. The season attracted a total ticket-buying audience of 23,330 (2015/16: 26,700) and nearly 3,000 people voted in the public vote.

The programme screened Ex Machina & RoboCop, Sunset Boulevard, 10 Things I Hate About You, Walkabout, Julieta (UK premiere), The Shining (winner of the 'Best of Ten' vote), Jackie Brown, Galaxy Quest & The Final Girls, Funny Face, Trainspotting, Girlhood and Captain Fantastic (UK premiere). The season featured introductions by some special guests including a pre-recorded introduction to Trainspotting by the cast to celebrate the film's 20th anniversary, and director Pedro Almodóvar joined us in person to introduce the premiere of his film, Julieta.

Alongside Film4 Summer Screen, Behind the Screen once again provided a unique and fascinating insight into the season's programme. Somerset House worked with organisations including BFI, National Portrait Gallery, FrightFest and Ravensbourne College, to produce a varied programme of events including talks from industry professionals, free film screenings and family activities and workshops. 550 people participated in Behind the Screen events.

The Summer Screen prints exhibition accompanied Summer Screen. 17 artists were commissioned to create new and original screen prints inspired by the films in the season and the exhibition received 9,432 visitors.

Learning and participation

Over the past year the Learning Department at Somerset House has continued to work across a range of events for a variety of audiences. From Young People's workshops engaging directly with our new community of Somerset House Studios artists to hosting schools and family workshops. We have worked with groups of university and college students on projects exploring our cultural programme and even hosted a one off druidic themed evening in collaboration with Museums at Night and artist Bedwyr Williams.

Our Learning programme is increasingly looking to focus on sharing and nurturing creative skills and building longer term relationships with schools, colleges and community partners in order to maximise impact.

Continuing our sustained work with groups for the vulnerably housed we created bespoke events for groups from Crisis and Accumul8 and also hosted sessions for Westminster Enterprise Week and A New Direction on opportunities in the arts and creative industries. A number of secondary schools from across London took part in creative writing workshops in collaboration with the Royal African Society in November and February, responding to the Malick Sidibé exhibition. The outcomes of these workshops will feature as part of the Africa Writes festival in July 2017 at the British Library, and form an online resource as part of the legacy of the project.

In October and February we piloted a new approach to young people's programming led by Somerset House Studios artists for 16-24 year olds. Eloise Hawser explored process whilst digital practitioners Werkflow guided participants in creating and curating virtual artworks for an online gallery space.

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Across the year as a whole we hosted over 90 different events and Learning activities, engaging directly with a diverse audience of over 6,000 people.

Creative community

Somerset House Studios

One of the most important initiatives this year was the launch of Somerset House Studios in October 2016, 36,000 square feet of office space in our New Wing formerly occupied by the Inland Revenue, have been transformed into a new experimental workspace for artists, makers and thinkers. The Studios are fundamental to achieving our strategic aim to be a place where art and culture is imagined and created, as well as experienced.

Somerset House Studios aims to meet the changing creative needs of today's artists and address the acute shortage of affordable and secure studio space, which has seen an accelerating exodus of artists from London. The Studios support and produce work by artists and makers pushing bold ideas, engaging with urgent issues and pioneering new technologies.

The Studios were launched with London Mayor Sadiq Khan in October 2016 and in December, the Studios public programme soft-launched with projects from Forest Fringe, Jennifer Walshe, Eloise Hawser and a series exploring the future of city night life with the newly appointed Night Tsar.

Once at full capacity Somerset House Studios will accommodate approximately 300 creative practitioners, including Makerversity's members, and currently holds around 250 residents and members. Further capital development funding is required in order to finish the building refurb and allow the full quota of residents to be met.

Restoration and conservation

The Trust is responsible for the maintenance and conservation of the historic Somerset House estate and operates a three-year rolling programme of works that is regularly reviewed by external surveyors and informed by the Quadrennial report, a condition of the Trust's lease from DCMS.

In May 2016, the Combined Cooling, Heating and Power (CCHP) plant was brought into use. This plant was commissioned as part of the Trust's Sustainability strategy to increase electrical supply to satisfy the requirements of the redevelopments and planned future works, and to reduce the Carbon Footprint of the Estate by an estimated 16%, equivalent to 444,000 kg of Carbon Dioxide a year.

Other highlights of the past year include completing the renewal of the South Wing lifts to improve accessibility, and modifications to the fountains in the Edmond J Safra Fountain Court to ensure continued safe enjoyment by visitors.

Development

In order to strengthen organisational resilience and to realise aspirations for the organisation, the Trust has been more proactive in seeking financial support from individuals, trusts, foundations and corporates. With this in mind the Trust has introduced a Corporate Membership programme for the first time, alongside a new Patrons offer, the Somerset House Supporters' Court. Somerset House Trust is grateful to all the founding supporters of these programmes and to the Trust's wider network of partners and sponsors. Philanthropic support has been especially critical to the transformation of former Inland Revenue offices into Somerset House Studios.

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Financial review

The financial statements have been prepared in accordance with FRS 102 and the Charity SORP.

Somerset House Trust owns 100% of the share capital of Somerset House Enterprises Limited (SHEL), which carries out trading and commercial operations on behalf of the Trust. For the year ended 31 March 2017, SHEL contributed £2.2m (2015/16: £1.78m) to the Trust, with the increase in income attributable to additional sponsorship. SHEL will pay its profits to the Trust as a payment under Gift Aid.

The accounts consolidate the results of the Trust with those of SHEL.

Results for the year

Net income before depreciation amounted to £1.4m (2015/16: £2.1m). Unrestricted income increased from £13.7m to £14.4m, but donations and grant income was lower at £171k (2015/16: £713k) as the majority of activity last year was in relation to the Somerset House Studios' capital project, which is now substantially complete. Depreciation amounted to £3.1m (2015/16: £2.87m).

Total income in the year to 31 March 2017 was £14.8m (2016: £14.7m), comprising rental and service charge income from Tenants (£7.6m), ticket income from the cultural programme (£3.3m), income from the Trust's trading subsidiary in the form of private hire of space, sponsorship and retail activity (£3.7m) and donations and grants income of £0.2m.

Total expenditure excluding depreciation increased to £13.4m this year (2015/16: £12.6m) reflecting the increased costs of running the estate along with additional investment in the cultural programme. Expenditure on the cultural programme increased to £4.9m in 2016/17 (2015/16: £4.6m).

Total funds reduced in line with expectations by £1.67m (2015/16: £752k). This included an increase in unrestricted free reserves of £377k this year, which is in line with the Trust's plan to build free reserves to the target level of £500k over the medium term (three years), as per the reserves policy set during 2015/16 (see Reserves).

The designated fixed asset fund reduced by £1.79m due to the high level of annual depreciation we incur, and restricted funds reduced by £260k, recognising the capital works undertaken during the year on the Studios' project.

Our total funds position will continue to reduce annually due to the material depreciation charges relating to our fixed assets. The total value of our fixed assets before depreciation is £121m, including the property lease from DCMS which was valued at £65m and is depreciated over 116 years, and leasehold improvements of £53m which are depreciated over 10 to 25 years. The depreciation cost is charged to the designated fixed asset fund which matches the value of the Trust's fixed assets (see Reserves).

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Summary consolidated statement of financial activities

	Total 2016/17	Total 2015/16
	£	£
Total income	14,837,792	14,703,315
Total expenditure excluding depreciation	<u>(13,416,141)</u>	<u>(12,573,132)</u>
Net income before depreciation	<u>1,421,651</u>	<u>2,130,183</u>
Depreciation	<u>(3,089,957)</u>	<u>(2,881,405)</u>
Net expenditure before taxation	<u>(1,668,306)</u>	<u>(751,222)</u>
Tax on profit on ordinary activities	<u>(1,434)</u>	<u>(1,209)</u>
Net expenditure	<u>(1,669,740)</u>	<u>(752,431)</u>

Summary consolidated aggregate of assets, liabilities and funds

Assets	91,763,499	92,963,975
Liabilities	<u>(7,033,759)</u>	<u>(6,564,495)</u>
Funds	<u>84,729,740</u>	<u>86,399,480</u>

Fixed assets

Capital expenditure for the year to 31 March 2017 was £1.3m (2015/16: £3m). The decrease compared to last year reflects the investment in the CCHP in 2015/16, however the programme of capital works relating to the main estate and the Studios continued.

Cash flow and liquidity

Cash in hand increased during the year to £4.5m, with a net inflow of £821k. Cash from operating activities of £2.4m was offset by cash outflows including capital expenditure of £1.3m and finance lease repayments of £214k.

The loan obligations of a facility entered into in 2011 with National Westminster Bank plc to fund the installation and commissioning of the CCHP were discharged in full during the previous year with the conversion of this facility on 31 March 2016 into a purchase lease facility. This finance lease facility with Lombard North Central plc is for the acquisition of the plant, now in use, for a total of £1.85m repayable over 7.5 years.

Going Concern

The financial statements have been prepared on a going concern basis. The trustees have given due consideration to the working capital and cash flow requirements and consider current and forecast cash resources to be sufficient to cover the working capital requirements of the charity for at least 12 months from the date of signing this report and the financial statements. The Trust assumes that a peppercorn rent will remain payable to DCMS in respect of the property lease for the foreseeable future.

The Trust operates on the basis that operating revenue will exceed operating expenditure (excluding depreciation and amortisation which is charged against the designated fixed asset reserve), with surplus funds invested in capital improvements to the estate and strategic priorities. When the longer term benefits are significant, the Trust invests in additional capital improvements beyond the level of 'in year' surpluses generated and these investments may be funded via long term financing arrangements. The Trust has an established track record of repaying those debts early.

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The Trust's income base includes rental income from over 100 tenants, with lease terms of between 1 and 3 years, as well as a number of longer term tenants including the Courtauld Institute and Kings College London. This affords the Trust a degree of security over a significant proportion its income.

Reserves

The charity's reserves fall into two main categories: restricted funds which may be legally used only for specified purposes and unrestricted funds which are free for use for any of the Trust's charitable purposes.

Last year, the trustees undertook a comprehensive review of reserves and reserves policy. As a result, general funds were separated between a designated fixed asset reserve and general funds (representing free reserves);

- The fixed asset reserve is a permanent designated fund matched to fixed assets, recognising that they cannot be quickly liquidated to realise cash in the event this is required.
- Free reserves are that part of unrestricted funds that are not held as fixed assets or designated for other purposes and can be used at the trustees' discretion for any of the Charity's purposes.

The trustees have adopted a risk-based approach to determine an appropriate level of free reserves. Having regard to the nature of income streams and expenditure, the trustees consider it appropriate to build our free reserves to a target level of £500,000 over the medium term (3 years). This will provide the Trust with additional security to manage economic uncertainty and is quantified at a level designed to cover a shortfall in higher risk income of approximately 3 months.

As at 31 March 2017 free reserves were positive at £3.6k (2015/16: £374k in deficit). The prior year deficit in free reserves arose due to a significant investment by the Trust in a CCHP plant (£1.96m), largely funded via a finance lease repayable over 7.5 years. The CCHP is expected to yield energy savings over the life of the asset (15 years), significantly reduce our carbon footprint and secure our energy supply.

The Trust has in place a strategic plan to deliver sufficient surplus funds to achieve the target level of free reserves over a 3 year period and is in on target to achieve this plan. The target level of free reserves is reviewed formally on an annual basis but is subject to review more frequently if the economic environment proves to be more difficult than expected. For example, if there is a sustained economic downturn or if high levels inflation lead to a significantly higher cost base.

Risk management

Somerset House Trust maintains and reviews a risk register, which focuses on the major strategic and operational risks the charity faces, including mitigating actions to reduce each risk to a level the trustees consider acceptable. The risk register is reviewed and maintained by the senior management team and reviewed in detail by the trustees annually.

The major risks faced by the Trust are:

Financial sustainability: the Trust receives no direct financial support from the government. A portfolio of income including rent from tenants, private hire income, ticket sales, sponsorship income and income from other commercial activity is used to fund the Trust's operations including the maintenance and upkeep of the estate, along with a growing artistic and cultural programme. The Trust is conscious that changes in the economic environment could have a significant impact and has been focused on further diversifying the income base by seeking new revenue streams such as fundraising and support in the form of grants for both further capital developments and targeted areas of our cultural and learning programme. The Finance and Audit committee has formally reviewed the reserves policy and has agreed to build up our free reserve levels over the medium term.

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Security and health and safety of visitors, staff and tenants: The Trust operates in iconic historical buildings on a very busy public site in the heart of London. Risks and mitigation measures are monitored carefully and evaluated with the assistance of specialist expertise.

Recruiting and retaining appropriate staff and trustees: Our staff and trustees are a significant asset and make an enormous contribution to the success of the Trust. Accessing, maintaining and developing the necessary skills is a key part of our efforts and focus.

Public benefit

Somerset House Trust is a Public Benefit Entity. 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.

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. It is our policy for many of our spaces and exhibitions to be free.

We run a varied programme of free exhibition, with a free exhibition open to the public 285 days in the last financial year.

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

Valuing volunteers

We recognise that volunteers make a significant and valuable contribution to help it achieve its vision. The Trust is committed to providing rewarding and enriching volunteer opportunities and recognises the many positive impacts that involving volunteers has including building links with visitors and local communities, bringing different perspectives and a diversity of views, knowledge and experience. Our volunteers act as ambassadors for the Trust, undertaking activity that adds value to our visitor offer. Our policy is that volunteers at Somerset House never act as a substitute for paid employees and the Trust does not recruit volunteers to replace or displace them.

In the year to 31 March 2017 approximately 150 volunteers contributed 11,208 hours over 2,594 volunteer sessions.

Strategic priorities for the year ahead include:

- Continued development of a distinctive year-round cultural programme that supports Somerset House Trust's strategic objectives.
- Completion of the capital development and launch of Somerset House Studios. Recruitment of the next wave of artist residents, embedding their practice in our expanded cultural programme.
- Learning – piloting new initiatives around creative skills development.
- Review options and establish new business model for the last remaining parts of the New Wing to be redeveloped, once Somerset House Studios has been completed.
- Strengthen our financial resilience through adopting more efficient business practices and reviewing our business model to ensure we are optimising our activities and investing our resources effectively. This includes greater use of technology as well as continued investment in our digital offering. As discussed above this includes building our free reserves
- Organisational Resilience - continuing to invest to generate new income streams, in particular fundraising and corporate sponsorship.
- Monitoring safety and security across the site, in close collaboration with the Courtauld and Kings.

Somerset House Trust

Report of the board of trustees

For the year ended 31 March 2017

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 report of the board of trustees (including the strategic report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, 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.

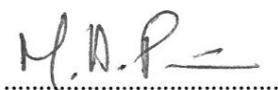
The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial 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.

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.

In the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the board and signed on their behalf on 6 July 2017



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Mark Pain
Chairman of the Finance and Audit Committee

Independent auditors' report to the members of Somerset House Trust

For the year ended 31 March 2017

Report on the financial statements

Our opinion

In our opinion, Somerset House Trust's group financial statements and parent charitable company financial statements (the "financial statements"):

- 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 2017 and of the group's incoming resources and application of resources, including its income and expenditure and of 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.

What we have audited

The financial statements, included within the report and financial statements (the "annual report"), comprise:

- the consolidated balance sheet as at 31 March 2017;
- the charity balance sheet as at 31 March 2017;
- the consolidated statement of financial activities (incorporating an income and expenditure account) for the year then ended;
- the consolidated statement of cash flows 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the report of the board of trustees have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the report of the board of trustees, including the strategic report. We have nothing to report in this respect.

Independent auditors' report to the members of Somerset House Trust

For the year ended 31 March 2017

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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report 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

Somerset House Trust

Independent auditors' report to the members of Somerset House Trust

For the year ended 31 March 2017

for our report. With respect to the strategic report and the report of the board of trustees, we consider whether those reports include the disclosures required by applicable legal requirements.

Jill Halford (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

___ July 2017

- The maintenance and integrity of Somerset House Trust's website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Somerset House Trust

Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2017

	Notes	Unrestricted funds		Restricted funds	Total 2016/17	Total 2015/16
		General	Designated		£	£
		£	£	£		
Income and endowments from:						
Donations and legacies	2	16,246	-	154,900	171,146	712,890
Charitable activities						
<i>Property management and conservation</i>		1,640,170	-	261,144	1,901,314	1,816,683
<i>Cultural and public events</i>		3,272,736	-	-	3,272,736	3,295,968
<i>Public education and communication</i>		27,712	-	-	27,712	27,312
<i>Merchandise income</i>		383,156	-	-	383,156	636,903
<i>Rental income</i>		5,722,896	-	-	5,722,896	5,543,111
Other trading activities						
<i>Concessions and venue hire</i>		2,651,127	-	-	2,651,127	2,255,975
<i>Sponsorship</i>		700,571	-	-	700,571	406,200
Investments		7,134	-	-	7,134	8,273
Total income		14,421,748	-	416,044	14,837,792	14,703,315
Expenditure on:						
Raising funds	3	146,707	-	-	146,707	120,888
Charitable activities						
<i>Property management and conservation</i>		4,837,442	2,533,566	213,966	7,584,974	7,168,821
<i>Cultural and public events</i>		4,805,749	-	104,900	4,910,649	4,551,372
<i>Public education and communication</i>		1,476,791	-	-	1,476,791	1,081,455
<i>Merchandise costs</i>		432,995	-	-	432,995	593,708
<i>Rental costs</i>		194,352	556,391	-	750,743	665,293
Other trading activities						
<i>Concessions and venue hire</i>		1,193,562	-	-	1,193,562	1,246,690
<i>Sponsorship costs</i>		9,677	-	-	9,677	26,310
Total expenditure	3,4,5	13,097,275	3,089,957	318,866	16,506,098	15,454,537
Tax on profit on ordinary activities	6	1,434	-	-	1,434	1,209
Net income/ expenditure	7	1,323,039	(3,089,957)	97,178	(1,669,740)	(752,431)
Transfers between funds	14	(945,827)	1,302,684	(356,857)	-	-
Net movement in funds		377,212	(1,787,273)	(259,679)	(1,669,740)	(752,431)
Fund balances brought forward at 1 April 2016	14	(373,572)	86,582,282	190,770	86,399,480	87,151,911
Fund balances carried forward at 31 March 2017		3,640	84,795,008	(68,909)	84,729,740	86,399,480
<u>Prior period reconciliation of funds</u>						
<i>Fund balances brought forward at 1 April 2015</i>		<u>845,692</u>	<u>86,496,274</u>	<u>(190,055)</u>	<u>87,151,911</u>	
<i>Net movement in funds</i>		<u>(1,219,264)</u>	<u>86,008</u>	<u>380,825</u>	<u>(752,431)</u>	
<i>Fund balances carried forward at 31 March 2016</i>		<u>(373,572)</u>	<u>86,582,282</u>	<u>190,770</u>	<u>86,399,480</u>	

All of the above results are derived from continuing activities and there are no other gains or losses other than those stated above.

A comparative statement of financial activities is presented on page 38.

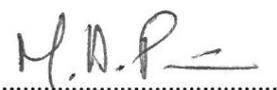
Somerset House Trust

Consolidated balance sheet

As at 31 March 2017

	Note:	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Fixed assets					
Tangible fixed assets	8	84,795,008	-	84,795,008	86,582,282
Current assets					
Stocks		18,368	-	18,368	20,375
Debtors	10	2,406,321	-	2,406,321	2,638,639
Cash at bank and in hand		4,612,711	(68,909)	4,543,802	3,722,679
Total current assets		7,037,400	(68,909)	6,968,491	6,381,693
Current liabilities					
Creditors: amounts falling due within one year	11	(5,251,220)	-	(5,251,220)	(4,463,945)
Net current assets		1,786,180	(68,909)	1,717,271	1,917,748
Total assets less current liabilities		86,581,188	(68,909)	86,512,279	88,500,030
Creditors: amounts falling due after more than one year	12	(1,782,539)	-	(1,782,539)	(2,100,550)
Net assets		84,798,649	(68,909)	84,729,740	86,399,480
The funds of the group:					
General funds	14	3,640	-	3,640	(373,572)
Designated fixed asset reserve	14	84,795,009	-	84,795,009	86,582,282
Restricted reserves	14	-	(68,909)	(68,909)	190,770
Total funds		84,798,649	(68,909)	84,729,740	86,399,480

The financial statements on pages 18 to 38 were approved by the board and signed on their behalf on 6 July 2017



Mark Pain
Chairman of the Finance and Audit Committee
Company number 03388137

Somerset House Trust

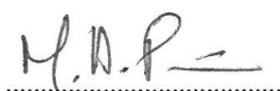
Charity balance sheet

As at 31 March 2017

	Notes	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Fixed assets					
Tangible fixed assets	8	84,795,008	-	84,795,008	86,582,282
Investments	9	1	-	1	1
		<u>84,795,009</u>	<u>-</u>	<u>84,795,009</u>	<u>86,582,283</u>
Current assets					
Debtors	10	3,301,657	-	3,301,657	2,276,312
Cash at bank and in hand		3,139,312	(68,909)	3,070,403	2,315,023
Total current assets		<u>6,440,969</u>	<u>(68,909)</u>	<u>6,372,060</u>	<u>4,591,335</u>
Current liabilities					
Creditors: amounts falling due within one year	11	(4,664,790)	-	(4,664,790)	(4,463,597)
Net current assets		1,776,179	(68,909)	1,707,270	127,738
Total assets less current liabilities		<u>86,571,188</u>	<u>(68,909)</u>	<u>86,502,279</u>	<u>86,710,021</u>
Creditors: amounts falling due after more than one year	12	(1,782,539)	-	(1,782,539)	(2,100,550)
Net assets		<u>84,788,649</u>	<u>(68,909)</u>	<u>84,719,740</u>	<u>84,609,471</u>
The funds of the charity:					
General funds	14	(6,360)	-	(6,360)	(2,163,581)
Designated fixed asset reserve	14	84,795,009	-	84,795,009	86,582,282
Restricted reserves	14	-	(68,909)	(68,909)	190,770
Total charity funds		<u>84,788,649</u>	<u>(68,909)</u>	<u>84,719,740</u>	<u>84,609,471</u>

The charity's income for the year of £15,157,914 (2016: £11,166,269) less expenditure of £15,047,645 (2016: £13,698,709) led to a surplus of £110,269 (2016: deficit of £2,532,440).

The financial statements on pages 18 to 38 were approved by the board and signed on their behalf on 6 July 2017



Mark Pain
Chairman of the Finance and Audit Committee
Company number 03388137

Somerset House Trust

Consolidated statement of cash flows

For the year ended 31 March 2017

	Notes	2016/17 £	2015/16 £
Net cash provided by operating activities	A	2,446,162	1,292,883
Cash flows from investing activities:			
Interest received		7,134	8,273
Purchase of tangible fixed assets		(1,231,510)	(2,967,413)
Net cash used in investing activities		(1,224,376)	(2,959,140)
Cash flows from financing activities:			
Interest paid		(114,989)	(110,175)
Repayments of loans and capital element of finance lease liabilities		(285,674)	(1,440,848)
Cash inflows from new borrowing		-	1,941,381
Net cash used in financing activities		(400,663)	390,358
Change in cash and cash equivalents in the reporting period		821,123	(1,275,898)
Cash and cash equivalents at the beginning of the reporting period		3,722,679	4,998,577
Cash and cash equivalents at the end of the reporting period	B	4,543,801	3,722,679

A Reconciliation of net expenditure to net cash flow from operating activities

	2016/17 £	2015/16 £
Net expenditure for the reporting period (as per the statement of financial activities)	(1,669,740)	(752,431)
Adjustments for:		
Depreciation charges	3,089,957	2,871,297
Interest received	(7,134)	(8,273)
Interest paid	114,989	110,175
Loss on disposal of fixed assets	-	10,107
Decrease in stocks	2,007	4,661
Decrease/ (increase) in debtors	232,318	(531,004)
Increase/ (decrease) in creditors	683,764	(411,649)
Net cash inflow / (outflow) from operating activities	2,446,162	1,292,883

B Analysis of cash and cash equivalents

	2016/17 £	2015/16 £
Cash in hand	4,543,802	3,722,679

1 Accounting policies

a) General information

Somerset House Trust is a registered charity (Registered Charity No. 1063640) and is incorporated in England and Wales as a private company limited by guarantee (Company No. 03388137). The address of its registered office is Somerset House, Strand, London WC2R 1LA.

b) Summary of significant accounting policies

The principal accounting policies have been applied consistently in dealing with items which are considered material in relation to Somerset House's Financial Statements and are as follows.

c) Basis of preparation

The consolidated financial statements have been prepared in accordance with UK Generally Accepted Practice comprising the Statement of Recommended Practice: Accounting and Reporting by Charities 2015 preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 14 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

Somerset House constitutes a public benefit entity as defined by FRS 102.

On transition to FRS 102 in the year ended 31 March 2016 the Trust took advantage of transition exemptions to permit the use of deemed cost for assets, and not to revise the accounting for lease incentives for leases entered into before 31 March 2014.

The financial statements have been prepared on a going concern basis. This assumes Somerset House will continue in operational existence for the foreseeable future. The Trustees have given due consideration to the working capital and cash flow requirements of Somerset House. The Trustees consider Somerset House's current and forecast cash resources to be sufficient to cover the working capital requirements of the charity for at least 12 months from the date of signing the accounts. The Trust's income base includes rental income from over 100 tenants on fixed term agreements which affords the Trust a degree of security over a significant proportion of its income. The Trust assumes that a peppercorn rent will be payable to DCMS in respect of the leasehold for the foreseeable future. On occasion the Trust funds capital improvements via long term financing arrangements. The Trust has an established record of repaying those debts early. There are no material uncertainties about the charity's ability to continue as a going concern.

The consolidated financial statements consolidate Somerset House Trust and its wholly owned subsidiary undertaking, Somerset House Enterprises Limited. A separate statement of financial activities has not been presented for the charity alone in accordance with s408 of the Companies Act 2006. Uniform accounting policies are used across the group, and intra-group transactions are eliminated on consolidation. All profits generated by the subsidiary are paid to the Trust by means of a gift aid transfer.

The charity has taken advantage of the disclosure exemption available in respect of a statement of cash flows. The charity's cash flows are included in consolidated statement of cash flows.

d) Income

Income comprises rental and service charge income from Tenants, ticket income from the cultural programme, income from the Trust's trading subsidiary in the form of private hire of space, sponsorship and retail activity. It also includes grant income, in the form of restricted capital grants received for Somerset House Studios and a small amount of grant income for our learning programme. All income is recognised once Somerset House has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably. Where income is received in advance of providing goods and/or services it is deferred until Somerset House becomes entitled to that income. Where entitlement occurs before income is received, the income is accrued. Grants (including Government grants) are recognised when the entitlement to the grant is established and confirmed by both parties.

Donated services are included at the value to Somerset House where this can be reliably quantified. Donated services from our volunteers are not included within the financial statements.

e) Expenditure

Expenditure is recognised as incurred in the financial year of the particular activity to which it relates. Expenditure is included in the Statement of Financial Activities on an accruals basis, and is classified under headings that aggregate all costs related to that category. The costs of those activities which support one or more of the charity's activities have been allocated to those activities on a headcount basis.

f) Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

g) Employee benefits

The Group provides benefits to employees including holiday pay, pension contributions, season ticket loans and life assurance policy. Pension payments are made to employee's personal pension plans and these are charged to the Statement of Financial Activities on an accrual basis. A defined contribution workplace pension scheme was set up in 2014.

h) Fixed assets and depreciation

Tangible fixed assets costing more than £1,000 with an expected useful life of more than one year are capitalised at cost, including any incidental expenses of acquisition. Tangible fixed assets are held at cost less accumulated depreciation, except for the value of the headlease over the site from DCMS which is held at deemed cost, being the valuation on an 'in use' basis at 31 March 2009 less accumulated depreciation from that date. The property lease is held as a tangible fixed asset rather than an investment property as it is held primarily for social benefit. 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. Fixed assets are depreciated as follows:

- Property lease valuation 116 years
- Leasehold improvements 10 and 25 years
- Fixtures, fittings and equipment 3 and 5 years

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. There have been no such events during the year and therefore no impairment.

Intangible fixed assets are depreciated on a straight line basis over 3 years.

i) Fund accounting

Balance sheet reserves have been allocated between two categories:

- Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general charitable objectives. Designated funds are a portion of the unrestricted funds that have been set aside for a particular purpose by the trustees.
- Restricted reserves consist of amounts subject to specific restrictions imposed by the donor or arising from contractual obligations, notably in connection with rental deposits from tenants and the maintenance and service charge funds established to comply with the terms of the lease between the Trust and King's College London.

j) Stock

Stocks are stated at the lower of cost and fair value. Cost is determined on a weighted average basis. A provision is made for slow moving, obsolete or defective stock to the extent that the cost price is estimated to exceed the fair value.

There is no material difference between the value of stock as stated and the replacement cost of this stock.

k) Financial instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). The Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Financial assets held at amortised cost are the Group's cash, trade debtors and other debtors. These are held at the settlement amount due. Trade creditors, accruals and other creditors are financial liabilities held at amortised cost. These are measured at the amount expected to be paid to settle the obligation.

l) Leases

i) Where the Trust enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the Balance Sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element representing a constant proportion of the capital balance outstanding, which is charged to the SOFA, and the capital element which reduces the outstanding obligation for future instalments. All other leases are accounted for as operating leases and the rentals are charged to the SOFA on a straight line basis over the life of the lease.

ii) Where income is receivable under lease agreements, the basic element is recognised on a straight line basis over the period to the next rent review, and any element based on a percentage of turnover of the lessee is recognised in the period to which that turnover relates. For leases entered into prior to 31 March 2014, lease incentives are spread over the period to the next break clause.

m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

n) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying the entity's accounting policies:

(i) Exemptions on transition to FRS 102

On transition to FRS 102 in the previous financial year, the Trust has elected to use the previous UK GAAP valuation at 31 March 2009 for the DCMS property lease, less amortisation to the transition date, as the deemed cost.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Notes to the financial statements

For the year ended 31 March 2017

2 Analysis of donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2016/17 £	Total 2015/16 £
Donations	16,246	-	16,246	-
Grants receivable				
<i>Capital grants receivable</i>	-	50,000	50,000	680,000
<i>Revenue grants receivable</i>	-	104,900	104,900	32,890
Total income from donations and legacies	16,246	154,900	171,146	712,890

In addition to income from donations and legacies is £700,571 (2015/16: £406,200) raised through sponsorship of the cultural programme. This income appears separately on the face of the Statement of financial activities under Other trading activities. The overhead costs associated with delivering both donations and legacies income and sponsorship income are included within Fundraising costs of grants and donations (note 3).

3 Analysis of expenditure

	Direct costs £	Support costs £	2016/17 £	2015/16 £
Expenditure on raising funds				
Fundraising costs of grants and donations	130,238	16,469	146,707	120,888
	130,238	16,469	146,707	120,888
Expenditure on charitable activities				
Property management and conservation	7,420,577	164,397	7,584,974	7,168,821
Cultural and public events	4,717,133	193,516	4,910,649	4,551,372
Public education and communication	1,050,932	425,859	1,476,791	1,081,455
Merchandise costs	391,821	41,174	432,995	593,707
Rental costs	693,759	56,984	750,743	665,293
	14,274,222	881,930	15,156,152	14,060,648
Other expenditure				
Concessions and venue hire	991,153	202,409	1,193,562	1,246,690
Sponsorship costs	9,677	-	9,677	26,310
	1,000,830	202,409	1,203,239	1,273,000
Total expenditure	15,405,290	1,100,808	16,506,098	15,454,536

Comparative analysis of expenditure:

	Direct costs £	Support costs £	2015/16 £
Expenditure on raising funds			
Fundraising costs of grants and donations	100,657	20,231	120,888
	100,657	20,231	120,888
Expenditure on charitable activities			
Property management and conservation	6,977,722	191,099	7,168,821
Cultural and public events	4,308,599	242,773	4,551,372
Public education and communication	721,328	360,127	1,081,455
Merchandise costs	553,246	40,462	593,708
Rental costs	624,831	40,462	665,293
	13,185,726	874,923	14,060,649
Other expenditure			
Concessions and venue hire	1,024,149	222,541	1,246,690
Sponsorship costs	26,310	-	26,310
	1,050,459	222,541	1,273,000
Total expenditure	14,336,842	1,117,695	15,454,537

Notes to the financial statements

For the year ended 31 March 2017

4 Allocation of support costs

The Trust allocates its support costs as shown below:

	Expenditure on raising funds £	Expenditure on charitable activities £	Other expenditure £	Support costs 2016/17 £	Support costs 2015/16 £
Governance	16,469	643,790	202,409	862,668	910,397
Interest paid	-	114,989	-	114,989	110,175
Marketing & Communications	-	123,151	-	123,151	97,123
	16,469	881,930	202,409	1,100,808	1,117,695

Governance costs are allocated on a headcount basis and include the costs of the Directorate, Finance Function, and HR function. Financing and Marketing & Communications are allocated based on the direct spend on those activities.

Interest paid was previously included in expenditure on raising funds but is now treated as expenditure on charitable activities on the basis it is incurred to support the purchase of assets which are used to maintain and conserve the property.

Comparative allocation of support costs:

	Expenditure on raising funds £	Expenditure on charitable activities £	Other expenditure £	Support costs 2015/16 £
Governance	20,231	667,625	222,541	910,397
Interest paid	-	110,175	-	110,175
Marketing & Communications	-	97,123	-	97,123
	20,231	874,923	222,541	1,117,695

5 Interest payable and similar charges

	2016/17 £	2015/16 £
Interest payable and similar charges	8,977	69,130
Finance lease interest	106,012	41,045
	114,989	110,175

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

6 Tax on surplus on ordinary activities

	2016/17	2015/16
	£	£
UK Corporation Tax - current tax charge	9,631	357,211
Adjustment in respect of previous periods	(8,197)	(6,988)
Tax credit for expected qualifying charitable donation	-	(349,014)
Tax on profit on ordinary activities	1,434	350,223

No tax is payable by Somerset House Trust therefore the charge for the year is reconciled to the profit before tax of Somerset House Enterprises Limited as per note 9 as follows:

	2016/17	2015/16
	£	£
Profit on ordinary activities before taxation	2,202,865	1,781,218
Tax on surplus at UK corporation tax rate of 20%	440,573	356,244
Effects of:		
<i>Expenses not deductible for tax purposes</i>	1,147	967
<i>Adjustment in respect of previous periods</i>	(8,197)	(6,988)
<i>Accrued qualifying charitable donation</i>	(432,089)	-
<i>Expected qualifying charitable donation</i>	-	(349,014)
Total tax charge for the period	1,434	1,209

A deed of covenant was signed on 15 March 2017 to formalise the Directors' intention to transfer to the Trust, in the form of Gift Aid payment, all profits of the company for the foreseeable future. Prior to this, there was no formal arrangement in place and so the payment to Trust in respect of the profits for the year ended 31 March 2016 was not accrued leading to a current tax charge being presented in the year ended 31 March 2016. The expected donation's inclusion in the year ended 31 March 2016's tax return led to a separate tax credit in the financial statements. The impact of the qualifying charitable donations is shown in the profit and loss account so as to present the total tax charge of the company in the profit and loss account. The resulting liability is not expected to crystallise as the company expects to generate sufficient profits prior to 31 December 2017 so that the donation to the Trust equals the company's taxable profits.

7 Net expenditure

Net expenditure is stated after charging the following:

	2016/17	2015/16
	£	£
Auditors' fees:		
- for audit of Somerset House Trust	32,590	41,660
- for audit of Somerset House Enterprises Limited	6,910	7,140
	39,500	48,800
Depreciation and amortisation:		
- property lease valuation	556,391	556,391
- leasehold improvements	2,007,816	1,876,466
- fixtures, fittings and equipment (owned)	300,504	227,429
- fixtures, fittings and equipment (leased)	225,246	211,011
	3,089,957	2,871,297

In addition to the audit fees listed above, fees for tax compliance services provided were £1,170 (2015/16: £1,885). No other non audit services were provided for the year (in 2015/16 fees of £15,500 were incurred in relation to an FRS 102 impact assessment).

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

8 Tangible fixed assets (Charity & Group)

	Property lease valuation	Leasehold improvements	Assets in the course of construction	Fixtures, fittings & equipment	Total
	£	£	£	£	£
<u>Cost or deemed cost</u>					
At 1 April 2016	64,541,408	49,728,694	2,813,515	2,856,793	119,940,410
Additions	-	894,182	5,118	403,384	1,302,684
Disposals	-	-	-	-	-
Transfers	-	2,813,515	(2,813,515)	-	-
At 31 March 2017	64,541,408	53,436,391	5,118	3,260,177	121,243,094
<u>Accumulated depreciation</u>					
At 1 April 2016	3,894,739	27,378,981	-	2,084,409	33,358,129
Charge for the year	556,391	2,007,816	-	525,750	3,089,957
Disposals	-	-	-	-	-
At 31 March 2017	4,451,130	29,386,797	-	2,610,159	36,448,086
<u>Net book value</u>					
At 31 March 2017	60,090,278	24,049,594	5,118	650,018	84,795,008
At 31 March 2016	60,646,670	22,349,713	2,813,515	772,384	86,582,282

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

In 2015/16, as a first time adopter of FRS102, the charity took advantage of a transition exemption relating to the valuation of the property lease from DCMS to use a deemed cost valuation under previous GAAP. The property lease was valued at the UK GAAP (FRS 15) valuation as at March 2009 and the valuation was adopted as the deemed cost. The property lease is valued on an in-use basis, based on the estimated future rental income to be earned over the life of the property lease which ends on 24 December 2125. It assumes that existing tenants leases will continue to their term or break clause, and that thereafter space will be let at market rates, taking into account refurbishment costs and void periods. It assumes that there will be no material change in the size of Somerset House estate currently available for sub-letting as office space.

A range of discount rates of between 6% and 8% was applied to determine the net present value of cash flows. The range of discount rates reflects the perceived risk attached to the portfolio of tenants. A peppercorn rent is 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. Variation of the terms of the property lease in respect of the yearly rent payable are by agreement. The Trust assumes a peppercorn rent will be payable over the remaining life of the lease.

The property lease is being amortised on a straight line basis over 116 years.

Of the above Property lease valuation net book value of £60,090,278 at 31 March 2017, £52,364,738 is in held in a revaluation reserve (see note 14).

The transfer from Assets in the course of construction to Leasehold improvements relates to the Combined Cooling & Heating Power (CCHP) plant which was brought into use during 2016/17. The plant is being depreciated on a straight line basis over 15 years.

Included within fixed assets is an amount of £84,557 relating to the new website, an intangible fixed asset. The website is being depreciated on a straight line basis over 3 years.

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

9 Investments

	Charity 2017 £	Charity 2016 £
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 at Somerset House, Strand, London WC2R 1LA (Company No. 03920330). 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 statement of financial activities. A summary of the results of the subsidiary is shown below.

<u>Somerset House Enterprises Limited</u>	2017 £	2016 £
Turnover	3,661,318	3,537,046
Costs of sales	(1,450,803)	(1,737,488)
Gross profit	2,210,515	1,799,558
Administrative expenses	(7,650)	(18,340)
Profit on ordinary activities before taxation	2,202,865	1,781,218
Tax on profit on ordinary activities	(1,434)	(1,209)
Profit for the financial year	2,201,431	1,780,009

The aggregate of the assets, liabilities and funds was:

	2017 £	2016 £
Assets	2,092,553	2,314,362
Liabilities	(2,082,552)	(524,352)
Funds	10,001	1,790,010

The Directors of Somerset House Enterprises Limited intend to pay its available profits to the Trust within nine months of the year end and in accordance with the deed of covenant signed 15 March 2017, have formally declared their intention to do so.

10 Debtors

	Charity 2017 £	Charity 2016 £	Group 2017 £	Group 2016 £
Trade debtors	881,491	1,028,605	1,416,050	1,332,802
Amounts owed by group undertakings	1,495,960	-	-	-
Other debtors	12,293	16,669	12,131	20,432
Prepayments and accrued income	911,913	1,231,038	978,140	1,285,405
	3,301,657	2,276,312	2,406,321	2,638,639

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

11 Creditors: amounts falling due within one year

	Charity 2017 £	Charity 2016 £	Group 2017 £	Group 2016 £
Finance leases (note 19)	375,786	272,276	375,786	272,276
Trade creditors	776,136	822,598	855,503	907,722
Amounts owed to group undertakings	-	524,004	-	-
Taxation and social security	484,891	161,533	546,058	220,730
Other creditors	913,914	307,843	970,914	307,843
Accruals	360,875	640,835	407,421	682,532
Deferred income	1,753,188	1,734,508	2,095,538	2,072,842
	4,664,790	4,463,597	5,251,220	4,463,945

Other creditors in the charity represent funds held in trust for tenants under Rent Deposit Deeds (2015/16: £264,823).

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. All deferred income is utilised in the year following deferral.

12 Creditors: amounts falling due after more than one year

	Charity & Group	
	2017 £	2016 £
Finance leases (note 20)	1,782,539	2,100,550
	1,782,539	2,100,550

13 Bank loans

During the year, Trust had an overdraft facility of £750,000 which attracted interest of base plus 1.75%. This remained unutilised and was not renewed at 31 March 2017.

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

14 Statement of funds

Charity

	At 1 April 2016	Income	Expenditure	Transfers	At 31 March 2017
	£	£	£	£	£
Unrestricted funds					
General funds	(2,163,581)	14,741,870	(11,638,822)	(945,827)	(6,360)
Designated fixed asset reserve					
Original cost/ valuation	34,217,544	-	(3,089,957)	1,302,684	32,430,271
Revaluation reserve	52,364,738	-	-	-	52,364,738
Total unrestricted funds	84,418,701	14,741,870	(14,728,779)	356,857	84,788,649
Restricted funds					
Maintenance and service charge fund	(116,087)	261,144	(213,966)	-	(68,909)
Projects fund	-	104,900	(104,900)	-	-
Capital grants fund	306,857	50,000	-	(356,857)	-
Total restricted funds	190,770	416,044	(318,866)	(356,857)	(68,909)
Total funds	84,609,471	15,157,914	(15,047,645)	-	84,719,740

Group

	At 1 April 2016	Income	Expenditure	Transfers	At 31 March 2017
	£	£	£	£	£
Unrestricted funds					
General funds	(373,572)	14,421,748	(13,098,709)	(945,827)	3,640
Designated fixed asset reserve					
Original cost/ valuation	34,217,544	-	(3,089,957)	1,302,684	32,430,271
Revaluation reserve	52,364,738	-	-	-	52,364,738
Total unrestricted funds	86,208,710	14,421,748	(16,188,666)	356,857	84,798,649
Restricted funds					
Maintenance and service charge fund	(116,087)	261,144	(213,966)	-	(68,909)
Projects fund	-	104,900	(104,900)	-	-
Capital grants fund	306,857	50,000	-	(356,857)	-
Total restricted funds	190,770	416,044	(318,866)	(356,857)	(68,909)
Total funds	86,399,480	14,837,792	(16,507,532)	-	84,729,740

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

Comparative Group

	At 1 April 2015	Income	Expenditure	Transfers	At 31 March 2016
	£	£	£	£	£
Unrestricted funds					
General funds	845,692	13,740,067	(12,365,061)	(2,594,270)	(373,572)
Designated fixed asset reserve					
Original cost/ valuation	34,131,536	-	(2,881,405)	2,967,413	34,217,544
Revaluation reserve	52,364,738	-	-	-	52,364,738
Total unrestricted funds	87,341,966	13,740,067	(15,246,466)	373,143	86,208,710
Restricted funds					
Maintenance and service charge fund	(190,055)	250,358	(176,390)	-	(116,087)
Projects fund	-	32,890	(32,890)	-	-
Capital grants fund	-	680,000	-	(373,143)	306,857
Total restricted funds	(190,055)	963,248	(209,280)	(373,143)	190,770
Total funds	87,151,911	14,703,315	(15,455,746)	-	86,399,480

Notes to funds

Unrestricted funds

General funds

In 2015/16, the trustees approved a new reserve policy, adopting a risk-based approach to determine an appropriate level of free reserves. Having considered the nature of income and expenditure, the Trustees consider it appropriate to build free reserves to a target level of £500,000 over the medium term (3 years), to provide the Trust with additional security to manage economic uncertainty. This target is quantified at a level designed to cover a shortfall in higher risk income of equivalent to approximately 3 months income.

Designated fixed asset reserve

£945,827 was transferred to the unrestricted designated fixed asset fund from general funds to reflect fixed asset additions funded by the Trust during the year (2015/16: £2,594,270).

£356,857 was transferred to the unrestricted designated fixed asset fund from the restricted capital grants fund to reflect fixed asset additions funded by the capital grants during the year (2016: £373,143).

Restricted funds

i) a Maintenance and service fund representing funds received from Kings College which can be spent in accordance with the terms of the lease between the Trust and that tenant. The debit balance on restricted funds relates to expenditure incurred on the estate in connection with the tenancy of King's College, where the expenditure incurred to date by the Trust 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 this restricted fund to carry a nil balance

ii) a Capital Grants fund representing the unspent balance of Grants received for specific purposes at year end

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

15 Employee details (Charity & Group)

<u>Staff costs</u>	2016/17	2015/16
	£	£
Wages and salaries	2,613,387	2,306,466
Social security costs	284,319	248,894
Other pension costs	223,671	161,457
Temporary staff salaries (including social security costs)	648,496	505,970
	3,769,873	3,222,787

The other pension costs above include an accrual of £16,740 (2016: £12,120) in respect of amounts due under employees' personal defined contribution schemes.

<u>Emoluments over £60,000</u>	2016/17	2015/16
	Number	Number
£60,001 - £70,000	3	-
£70,001 - £80,000	-	2
£80,001 - £90,000	2	-
£90,001 - £100,000	-	-
£120,001 - £130,000	1	1
£130,001 - £140,000	-	1
£160,001 - £170,000	1	1

Total employee benefits received by key management personnel in year were £510,854 (2015/16: £521,784).

<u>Staff functions</u>	2016/17	2015/16
	Number	Number
The monthly average full time equivalent employees during the year, analysed by function, were:		
Concessions and venue hire	12	11
Fundraising	1	1
Rental	3	2
Property management and conservation	3	4
Cultural and public events	12	12
Public education, communication and visitor services	18	13
Merchandise	3	2
Governance	10	8
	62	53

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

16 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 (2015/16: £nil). Trustee indemnity insurance was purchased by the charity during the year at a cost of £6,680 (2015/16: £6,437).

The Trust's trading subsidiary, Somerset House Enterprises Limited, was recharged the staff costs £681,297 (2015/16: £568,094), being the cost of staff incurred by the Trust for activities undertaken by the company. During the year, £1,780,009 was received from the company as a donation of the profits for the year ending 31 March 2016 under gift aid (2015/16: £nil for the year ending 31 March 2015). At 31 March 2017, amounts due to the Trust from the company included an amount of £2,201,431 due from the company as a donation of its profits under gift aid for the year ending 31 March 2017, under the deed of covenant with the Trust signed on 15 March 2017 (2015/16: £nil). All amounts owed between the Trust and the company are reflected in notes 10 and 11 to the accounts.

Four trustees made donations to the Trust during the year. Gifts amounted to £8,500 were made under the Supporters' Court initiative, a membership group established to engage major donors.

The following related party expenditure transactions are stated inclusive of VAT.

William Sieghart (trustee) is Chairman of the charity Forward Arts Foundation, which paid Somerset House Enterprises Limited £108 for meeting room hire during the year.

Tony Elliott (trustee) is a Director of Time Out Group Limited. In 2016/17, the Trust paid £2,400 directly to Time Out (2015/16: £6,780) for advertising services in relation to the cultural programme. Additional costs of £5,500 were incurred indirectly with Time Out, via third parties engaged to deliver cultural programme marketing. A digital campaign around Skate valued at £5,500 was also negotiated by a third party (2015/16: £9,900 via third parties for advertising services in relation to the cultural programme).

Judy Gibbons (trustee) is a Director of Guardian Media Group Plc ("the Guardian"). During the year, the Trust entered into a contra agreement with the Guardian whereby the Guardian provided advertising for Skate At Somerset House and the Trust provided the Guardian with access to Skate At Somerset House, Summer Series and Film 4 Summer Screen. The gross value of the services provided by both entities was estimated to be £34,834 (2015/16: £44,207), which has been recognised in the financial statements. An additional amount of £4,000 was paid to Guardian News & Media for the provision of advertising services (2015/16: £Nil).

Laurence Green (trustee) is a Director of 101 Projects Limited ("101") which rents office space at Somerset House. In 2016/17, 101 paid the Trust £330,666 comprising rent, service charge, the provision of information and communication technology services and insurance (2015/16: £322,991). In 2016/17, 101 paid Somerset House Enterprises Limited £384 for meeting room hire (2015/16: £1,290).

Caroline Michel (trustee) is Chair of BFI Trust ("BFI"). During 2016/17, the Trust paid £1,225 to BFI for film hire (2015/16: £1,426).

Baroness Lola Young (trustee to 15 March 2017) is a Commissioner for Historic England. From 3 February to 10 April 2016, Historic England held the exhibition Out There: Our Post-War Public Art at Somerset House. During 2015/16, Historic England paid the Trust £201,600 to cover the costs of the exhibition and an amount of £940 was due to the Trust at 31 March 2016. During 2016/17, unspent funds of £91,989.60 were refunded to Historic England.

Jonathan Reekie (Director) is a Director of Northbank Bid Limited ("Northbank") which rents office space at Somerset House. Northbank paid the Trust £52,806 during the year comprising rent, service charge, the provision of information and communication technology services and insurance (2015/16: £50,087). The Trust paid Northbank £156 during the year relating to a reimbursement for office equipment (2015/16: £nil). Somerset House Enterprises Limited paid Northbank £141 for meeting room hire and sessional workers (2015/16: £35 for goods for resale).

Jonathan Reekie is closely connected to a trustee of The Royal Society of Literature of the United Kingdom ("RSL") which rents office space at Somerset House. RSL paid the Trust £48,225 during the year comprising rent, service charge, the provision of information and communication technology services and insurance (2015/16: £44,267). RSL paid Somerset House Enterprises Limited £1,812 during the year for meeting room hire (2015/16: £1,890).

Jenny Freestone (member of Senior Management Team) was a Member of the Committee of Unique Venues of London Limited ("UVL") during the year. Somerset House Enterprises Limited paid UVL membership fees of £2,896 in 2016/17 (Emma Barrow (member of Senior Management Team until 12 April 2016) was a Member in 2015/16, when membership fees were £2,868).

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

17 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.

18 Capital commitments

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

	Charity & Group	
	2016/17	2015/16
	£	£
Contracted for at 1 April	202,150	1,480,030
Commitments entered into during the course of the year and outstanding at the year end	-	202,150
Utilised during the year	(202,150)	(1,480,030)
Contracted at 31 March	-	202,150

Capital commitments at 1 April 2016 related to the refurbishment of three of the lifts in the South Wing building and were paid in full during 2016/17.

19 Assets held under finance leases and capitalised in tangible fixed assets

	2016/17	2015/16
	£	£
<u>Cost</u>		
At 1 April	3,084,220	1,142,839
Additions	71,174	1,941,381
At 31 March	<u>3,155,394</u>	<u>3,084,220</u>
<u>Accumulated depreciation</u>		
At 1 April	(818,650)	(607,639)
Charge for the year	(488,960)	(211,011)
At 31 March	<u>(1,307,610)</u>	<u>(818,650)</u>
Net book value	<u>1,847,784</u>	<u>2,265,570</u>

Assets held under finance leases comprise the CCHP plant, 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.

Somerset House Trust

Notes to the financial statements

For the year ended 31 March 2017

20 Finance leases

	2016/17	2015/16
	£	£
Future minimum payments under finance leases are as follows:		
<i>Within one year</i>	456,494	375,465
<i>In more than one year, but not more than five years</i>	1,474,906	1,545,418
<i>After five years</i>	481,651	802,752
Total gross payments	2,413,051	2,723,635
Future financing charges	(254,726)	(350,810)
Finance lease liability	2,158,325	2,372,825

21 Operating lessor

The Trust had the following future minimum lease receivables under non-cancellable operating leases, as a lessor, for each of the following periods:

	2016/17	2015/16
	£	£
Receipts due	21,267,167	20,052,110
<i>Within one year</i>	2,268,879	2,003,545
<i>In more than one year, but not more than five years</i>	8,145,798	7,206,329
<i>After five years</i>	10,852,490	10,842,236

Excluded from amounts receivable above are amounts due from Somerset House tenants with break clauses less than or equal to one year. The Trust has reviewed its terms and conditions to reflect standard market practice and has been introducing commensurate break clauses to all new leases and lease renewals, and now requires deposits from all tenants. Receipts due from this group of tenants under non-cancellable leases within one year amount to £302,000 (2015/16: £111,000)

Somerset House Trust

Comparative consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2016

	Notes	Unrestricted funds		Restricted funds	Total 2015/16
		General	Designated		
		£	£	£	£
Income and endowments from:					
Donations and legacies	2	-	-	712,890	712,890
Charitable activities					
<i>Property management and conservation</i>		1,566,325	-	250,358	1,816,683
<i>Cultural and public events</i>		3,295,968	-	-	3,295,968
<i>Public education and communication</i>		27,312	-	-	27,312
<i>Merchandise income</i>		636,903	-	-	636,903
<i>Rental income</i>		5,543,111	-	-	5,543,111
Other trading activities			-		
<i>Concessions and venue hire</i>		2,255,975	-	-	2,255,975
<i>Sponsorship</i>		406,200	-	-	406,200
<i>Bank interest receivable</i>		8,273	-	-	8,273
Total income		13,740,067	-	963,248	14,703,315
Expenditure on:					
Raising funds	3	120,888	-	-	120,888
Charitable activities					
<i>Property management and conservation</i>		4,667,417	2,325,014	176,390	7,168,821
<i>Cultural and public events</i>		4,518,482	-	32,890	4,551,372
<i>Public education and communication</i>		1,081,455	-	-	1,081,455
<i>Merchandise costs</i>		593,708	-	-	593,708
<i>Rental costs</i>		108,902	556,391	-	665,293
Other trading activities					
<i>Concessions and venue hire</i>		1,246,690	-	-	1,246,690
<i>Sponsorship costs</i>		26,310	-	-	26,310
Total expenditure	3,4,5	12,363,852	2,881,405	209,280	15,454,537
Tax on profit on ordinary activities	6	1,209	-	-	1,209
Net income/ expenditure	7	1,375,006	(2,881,405)	753,968	(752,431)
Transfers between funds	14	(2,594,270)	2,967,413	(373,143)	-
Net movement in funds		(1,219,264)	86,008	380,825	(752,431)
Fund balances brought forward at 1 April 2015	14	845,692	86,496,274	(190,055)	87,151,911
Fund balances carried forward at 31 March 2016		(373,572)	86,582,282	190,770	86,399,480

All of the above results are derived from continuing activities. There are no other gains or losses other than those stated above.