

Somerset House Trust

Annual report and financial statements for the year ended
31 March 2016

Company Directory

Registered office	Somerset House, Strand, London, WC2R 1LA
Registered charity number	1063640
Company number	03388137

Directors

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

Mr Tony Elliott *	
Ms Judy Gibbons	
Mr Robert Gillespie *	(resigned 31 August 2015)
Sir Malcolm Grant	
Mr Laurence Green	
Mr Jeremy Hardie *	(resigned 2 December 2015)
Mr Jonathan Higgins	
Mr Marcus Lyon	
Ms Caroline Michel	
Mr Mark Pain *	
Ms Joanna Pitman	(resigned 2 December 2015)
Sir Mark Potter	(resigned 2 December 2015)
Mr Nitin Sawhney	
Mr William Sieghart *	(appointed director 15 July 2015, appointed Chairman 1 September 2015)
Ms Loraine Woodhouse *	(resigned 31 August 2015)
Baroness Lola Young	
Mr James Nicholas Lambert	(appointed 15 March 2016)

* Member of the Finance and Audit Committee

Director	Mr Jonathan Reekie CBE
Chief Operating Officer and Company Secretary	Susan Johnston (appointed 31 March 2016)
Chief Operating Officer and Company Secretary	Mr Mark Stuart-Smith (resigned 12 February 2016)
Deputy Director	Diana Spiegelberg (appointed 3 August 2015)
Property Director	Jonathan Dean (appointed 7 July 2016)
Independent Auditors & Chartered Accountants	PricewaterhouseCoopers LLP 1 Embankment Place, London, WC2N 6RH

Bankers

National Westminster Bank Plc

Solicitors

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

Herbert Smith LLP
Exchange House, London, EC2A 2HS

Report of the Board of Trustees

Summary

The Somerset House Act was passed in 1984, setting this historic site on the path to becoming one of London's most exciting cultural spaces. In 1997 The Somerset House Trust was established which today is responsible for the site. It has lovingly restored the buildings, opened up the spaces for the public, and developed an extensive programme of arts and cultural events, so that it is now one of the most visited attractions in London, with over 3million visitors annually.

As well as our regular major events, summer gigs, open air cinema and Skate, programme highlights for the year included *Big Bang Data*, *The Jam: About the Boy*, the inaugural *Photo London*, the launch of *Utopia 2016: a Year of Imagination and Possibility*, (the first cross-site, year-long cultural celebration here), Le Patin Libre's *Vertical* on the ice rink and innovative new programming in our recently launched New Wing.

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

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, cultural projects 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 the 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 outstanding example of English national heritage. Since 1997 the Trust has gradually recovered all the spaces of Somerset House, reclaiming the final part, New Wing in March 2013.

In 1989 The Courtauld Institute of Art moved into North Wing. In the period 1999-2003 two major grants from the Heritage Lottery Fund enabled the creation of new cultural and public spaces in South Wing, and, with the installation of the Fountain Court, Chambers' great courtyard was transformed into one of the most beautiful public spaces in London. This was followed in 2008 and 2009 with the other floors of South Wing being refurbished and let to emerging, innovative and socially aware businesses from the creative community.

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 & 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 300 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. The Board currently comprises twelve trustees. New trustees are chosen following agreement amongst trustees about their ability to fill identified skills gaps and their fit with the overall desired make-up of the board.

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.

Organisation

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

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

Strategic Report

Objectives and Activities

The core objectives and aims of Somerset House Trust are as follows:

- To be a dynamic and **relevant space for the arts and culture** in the 21st Century where the public can encounter the most exciting contemporary culture and experience the people and ideas that underpin the creative process as well as finished work.
 - Offer audiences excellent original cultural experiences exploring new formats.
 - Promote public access to site for enjoyment and provide regular free exhibitions.
 - Provide a home for the wider creative community, nurturing the brightest artistic talents to support the creation of new work and championing the art and creative industries as a vital and central part of our society.

- Conserving and restoring Somerset House so it can be enjoyed by the public as **an outstanding example of English national heritage**.
 - To present the exceptional buildings to a wide public.
 - To develop unrestored areas of the site to a high standard.

- To maintain all restored areas in line with external specialist heritage recommendations (quadrennial report) and a programme of maintenance including a focus on improving environmental sustainability.
- To build and maintain a **resilient financial model** which secures the long term financial health and security of the Trust having regard to the significant costs associated with restoring, developing and maintaining a world class heritage site.
 - To generate sufficient operating surpluses to fund both a dynamic cultural programme and the ongoing restoration and maintenance of the site.
 - To build a sustainable portfolio of income which limits our reliance on any one income source.
 - To operate efficiently and effectively investing our resources wisely to optimise the delivery of our charitable purposes.

Impact

A number of measures are currently being developed to measure Somerset House's impact on a consistent basis incorporating the following:

- Breadth and quality of our cultural programme and visitor experience.
- Development of new audiences.
- Creative skills development and collaboration opportunities for our creative community on site.
- Maintenance and restoration of the site in line with quadrennial report recommendations.
- Environmental impact, including reducing our carbon footprint.
- Financial performance, resilience and sustainability.

Achievements and Performance for the year to 31 March 2016

Cultural Programme

As part of our ongoing efforts to strengthen collaboration across the site and amongst our neighbours, 2015/2016 saw the first year-long site-wide programming theme; Utopia 2016 – A year of imagination and possibility launch in January. Celebrating the 500th anniversary of the publication of Thomas More's seminal text, Somerset House has worked with the Courtauld Institute & Gallery and King's College London, as well as many of our resident organisations to programme four seasons of events, exhibitions and new commissions imagining utopia for the 21st century and exploring the relevance of Thomas More's publication today. Utopia 2016 launched in January 2016 with the unfurling of a new utopian flag by Jeremy Deller and Fraser Muggerridge, gathering together Somerset House's resident community in the Edmond J Safra Fountain Court.

During the year the Trust presented a major exhibition on the current data explosion: Big Bang Data (52,064 visitors) in the Embankment Galleries, our main exhibition space. Adapted from an exhibition presented at the Centre de Cultura Contemporània de Barcelona including many new commissions, it was curated by José Luis de Vicente and Olga Subiros. The exhibition presented one of today's most critical issues through the lens of art and design.

Pick Me Up (16,233 visitors), the Trust's annual and highly acclaimed contemporary graphic arts festival, returned in April 2015 for a 12-day celebration of graphic art, design and illustration. In addition to showcasing

and selling original artworks and limited-edition prints from the industry's elite and emerging talent, each day the festival featured an exciting and eclectic mix of talks, workshops and quirky family events.

In the East Wing Galleries we presented *The Jam: About the Young Idea* (47,814 visitors).

Other exhibitions included *Beneath The Surface*, an exhibition from the V&A's photographic archive (5,780 visitors), and *Max Lamb: My Grandfather's Tree* (4,274 visitors, open for 1 week only); *Summer Screen Prints with Print Club London* (6,672 visitors), *Disorder and Out There* (7,587 visitors) presented in collaboration with Historic England. The West Wing Galleries hosted the *International Fashion Showcase: Fashion Utopias* (4,116 visitors) with the British Council.

Partnership shows included *The Syngenta Photography Award: Scarcity-Waste* (22,624 visitors), the 2016 *Sony World Photography Awards* (33,394 visitors), *Photo London* (20,000 visitors), the *London Design Festival* (24,903 visitors) and *1:54 Contemporary African Art Fair* (15,000 visitors).

It's our policy to have very frequent free exhibitions in the Terrace Rooms and Courtyard Rooms. These included *Secret 7"* (21,938 visitors), *Unseen Waterloo: The Conflict Revisited* (33,415 visitors), *AOI World Illustration Awards* (22,137), *Tin Tin: Hergé's Masterpiece* (118,128 visitors), *Museum of Innocence* (21,019 visitors) and *Venturing Beyond: Graffiti and the Everyday Utopia of the Street* (32,272 visitors).

The newly refurbished spaces on the ground floor of New Wing, which become part of Somerset House Studios' public space, hosted Gavin Turk's *Now* sculpture on its façade, *The Unseen Emporium*, *Inmov Robots For Good*, *Now Play This* – the second edition of the Trust's annual festival of gaming, *Ulmus Londinium*, *One and All* with the National Trust (5,814 visitors) and the *Nodual Workshop*.

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 2015/16 included *Goya: the Witches and Old Women*, *Unfinished...Works from the Courtauld Gallery Summer Showcase*, and *Soaring Flight: Peter Lanyon's Gliding Paintings*.

King's College's Inigo Rooms in the East Wing hosted *Maggi Hambling: War Requiem & Aftermath*, the *Ben Uri Centenary* and an exhibition celebrating the 500th anniversary of Shakespeare's birth.

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

Summer Series, the eleven nights of concerts, presented in partnership with American Express and Metropolis Music, attracted a total audience of 37,348 (2014/15: 36,620). The line-up consisted of Chromeo, Gary Clark Jr., Passenger, Chronixx, George Ezra, Nick Mulvey, Angus & Julia Stone, James Bay, Kwabs, Belle & Sebastian and Jessie J

London's most stylish ice rink *Skate at Somerset House*, in association with Fortnum & Mason, was open for eight weeks from mid-November 2015 until the beginning of January 2016 and attracted 109,064 skaters over seven weeks (2014/15: 125,124 over eight weeks). A range of experiences was on offer to attract skaters of all abilities and ages, including *Polar Club* for beginners under the age of 8 years, *Skate School* to improve the skills of skaters of all abilities, and *Club Nights* for late-night open-air clubbing. *Skate* ended in January with *Vertical: Le Patin Libre* a dance performance on ice presented in partnership with Somerset House resident *Dance Umbrella*

Film4 Summer Screen continued to showcase 14 nights of cult, contemporary and classic films. The programme featured four premieres (1 more than previous years), two double-bills and a *Summer Screen Spotlight* title. The event attracted a total audience of 26,700 and 4,600 people voted in the public vote. The programme screened *Gemma Boverly* (UK Premiere), *The Man from U.N.C.L.E* (People's Premiere), *Withnail & I*, *An American*

Werewolf in London, Princess Mononoke, The Silence of the Lambs, The Graduate, The Second Mother (UK Premiere), Aguirre, Wrath of God, Do The Right Thing, True Romance, The Warriors, Roman Holiday, The Last of the Mohicans, Best of Ten Musicals: West Side Story (voted by the public), Me and Earl, and the Dying Girl (UK Premiere).

Alongside Film4 Summer Screen, Behind the Screen provides a unique and fascinating insight into the season's programme. Working with several outside organisations including BFI, National Portrait Gallery, FrightFest and Ravensbourne College this provided a varied programme of events including talks from industry professionals, free film screenings, family activities and workshops. Also accompanying Summer Screen is Summer Screen prints, in which 16 artists are commissioned to create new and original screen prints, inspired by each film in the season.

The Courtyard also saw Marc Quinn's sculpture Frozen Waves, Broken Sublimes installed in the autumn, which was seen by around 250,000 people based on our visitor count.

Learning & Participation

Somerset House offers a range of learning and participation opportunities for adults, families, students, and young people, and community groups inspired by Somerset House's programme of events and exhibitions with a focus on new and emerging artistic practices, the creative process and innovation. Overall, just over 150 events took place across the site with approximately 10,700 participants in 2015/2016.

Families enjoyed free Saturday workshops, and drop-ins during the holidays including creative writing, interactive data visualisations and design challenges. Young People explored day-long design challenges relevant to contemporary practice including body architecture, animé and workshops blending analogue and digital photography. For schools and colleges the programme offers exhibition preview tutor evenings and educational tours.

Highlights included artist's talks from Bob & Roberta Smith, Tania Kovats, Ori Gersht, and Julie Freeman amongst others, and collaborations for Big Bang Data with Signal Noise, Creative Data Club and Algorave. In addition to spotlight and educational tours for visiting school and college groups the panel discussions and curator's tours for Out There, One and All, The Jam and Tintin were also very well received.

There have been a number of projects working with creative communities, including a week-long residency within Big Bang Data for selected students from Ravensbourne who created an interactive installation for visitors about surveillance. We continued our support for ethical fashion with further talks for Fashion Revolution Day working with the British Fashion Council, and inspired young vulnerably-housed or homeless Londoners through a series of photography workshops and tours with Accumul8. Partnerships with Somerset House residents Dartmouth Films provided another well-received series of Unorthodox; films rarely released to cinema or television, with the Oscar nominated The Look of Silence and Chuck Norris vs Communism featuring this year.

Creative Community

Somerset House Studios

Somerset House Trust is transforming 36,000 sq ft of the former Inland Revenue offices in our New Wing to create a new experimental workspace for artists, makers and thinkers. 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. Once at full capacity Somerset House Studios will accommodate approximately 300 creative practitioners, including Makerversity's members.

Alongside the capital redevelopment, this period has seen the groundwork to establish artists' needs and to create a suitable model for the Somerset House Studios initiative. The first wave of artists moved into the first studios to be completed from the end of December 2015 through a nominations process. This has brought Somerset House one step closer to realising its vision as a new model of cultural centre where art and culture can be imagined and created, as well as experienced in its finished form.

Restoration and Conservation

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

In line with the Quadrennial report extensive conservation works were carried out to the chimneys and roofs across the estate. A Combined Cooling, Heating and Power (CCHP) scheme has been installed to increase electrical supply to satisfy the requirements of the redevelopments completed and planned future works and also reducing the Carbon Footprint of the Estate by an estimated 16%. Works have also been undertaken to replace the 3 main lifts in the South Building to increase capacity, speed and reliability and cope with demand due to increased footfall through the estate.

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 March 2016 SHEL will contribute £1.78m (2015: £2.48m) 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

Total income in the year to 31 March 2016 was £14.7m (2015: £13.1m). Our income is made up of 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.

The increase in income is primarily the result of additional income from the cultural programme plus grant income of £713k (2015: £nil). Grant income has increased significantly as a result of a targeted effort to raise funding for the Somerset House Studios project. Income from the cultural programme increased to £3.3m (2015: £2.8m) due to an increased programme. Additional rental income from new areas rented in New Wing offset a reduction in income from SHEL for trading and commercial activities.

Total expenditure excluding depreciation and amortisation increased to £12.6m (2015: £11.2m) reflecting the increased costs of maintaining the estate, along with a significantly higher investment in the cultural programme. Expenditure on the cultural programme increased from £3.3m in 2015 to £4.5m in 2016.

Net income before depreciation and amortisation on Fixed Assets amounted to £2.1m, including restricted grant income of £713k. After charging amortisation and depreciation on Fixed Assets of £2.9m (2015: £3m), net expenditure before taxation amounted to £751k (£2015: -£1.0m).

<u>Somerset House Trust financial performance</u>		
Summary consolidated statement of financial activities		
	2015/16	2014/15
	£	Restated *
	£	£
Total income	14,703,315	13,078,756
Total expenditure excluding depreciation and amortisation	(12,583,238)	(11,152,328)
Net income before depreciation and amortisation	2,120,077	1,926,428
Depreciation and amortisation	(2,871,299)	(2,971,386)
Net expenditure before taxation	(751,222)	(1,044,958)
Tax on profit on ordinary activities	(1,209)	(3,603)
Net expenditure	(752,431)	(1,048,561)
Summary consolidated aggregate of assets, liabilities and funds		
	2015	2014
	£	£
Assets	92,963,975	93,627,525
Liabilities	(6,564,495)	(6,475,614)
Funds	86,399,480	87,151,911
* See note 1 (n)(i)		

Fixed Assets

Capital expenditure for the year to 31 March 2016 amounted to £3m (2015: £2.1m). This included a significant investment in installing a Combined Cooling Heat and Power plant (CCHP), building works in progress to improve the main estate and the re-development of New Wing in readiness for launching Somerset House Studios in October 2016.

Cash flow and liquidity

Cash in hand decreased during the year to £3.7m, with a net outflow of £1.3m. A net inflow from operating activity of £1.3m in the year is offset by capital expenditure funded directly by the business of £1m together with interest charges of £102k, loan repayments of £1.3m and finance lease repayments of £200k.

Loan repayments in the year discharged in full, 5 months early, the loan obligations of the facility entered into in 2011 with National Westminster Bank plc.

On 31 March 2016 the Trust entered into a purchase lease facility with Lombard North Central plc for the acquisition of a Combined Cooling, Heat and Power Plant (CCHP Plant) for £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.

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 of 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.

The Trustees have reviewed the reserve policy and the appropriate reserve levels as at 31 March 2016. As a result of this review General Funds have been separated between a designated Fixed Asset Fund and General funds (representing free reserves);

- The Fixed Asset Fund 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.

Arising from the most recent review, 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 2016 free reserves were negative (£374k). The 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. The target level of free reserves will be reviewed formally on an annual basis. It will be reviewed more frequently if the economic environment proves to be more difficult than expected in the form of 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 grants for both further capital developments and targeted areas of our cultural and learning programme. The F&A committee has formally reviewed the reserves policy and have agreed to build up our free reserve levels over the medium term.

Security 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 302 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

Somerset House Trust recognises 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 2016 150 volunteers contributed 8,958 hours.

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.
- Organisational Resilience –continuing to invest to generate new income streams, in particular fundraising and corporate sponsorship.

Statement of trustees' responsibilities

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

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 Charities SORP;
- make judgments and estimates that are reasonable and prudent; 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.



Mark Pain
Chairman of the Finance and Audit Committee.

Independent auditors' report to the members of Somerset House Trust

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 2016 and of the group's net expenditure 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 Annual Report and Financial Statements (the "Annual Report"), comprise:

- the consolidated and charity balance sheets as at 31 March 2016;
- the consolidated statement of financial activities including the income and expenditure account for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- 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 Strategic Report and the Trustees' Annual Report. We have nothing to report in this respect.

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 Trustees' Responsibilities Statement, 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

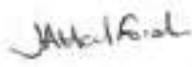
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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 for our report.


Jill Halford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

7 December 2016

- (a) The maintenance and integrity of the 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.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**consolidated statement of financial activities
(including income and expenditure account)
for the year ended 31 March 2016**

	Notes	Unrestricted funds		Restricted funds	Total 2015/16	2014/15 Restated *
		General	Designated			
		£	£	£	£	£
Income and endowments from:						
Donations and legacies		-	-	712,890	712,890	72
Charitable activities		11,059,619	-	250,358	11,319,977	10,325,444
Other trading activities		2,662,175	-	-	2,662,175	2,744,568
Investments		8,273	-	-	8,273	8,672
Total		13,740,067	-	963,248	14,703,315	13,076,756
Expenditure on:						
Raising funds		(231,063)	-	-	(231,063)	(147,053)
Charitable activities		(10,750,887)	(2,325,014)	(209,280)	(13,285,181)	(11,358,002)
Other		(1,381,902)	(556,391)	-	(1,938,293)	(2,617,659)
Total	2	(12,363,852)	(2,881,405)	(209,280)	(15,454,537)	(14,123,714)
Tax on profit on ordinary activities	5	(1,209)	-	-	(1,209)	(3,603)
Net income / expenditure	6	1,375,006	(2,881,405)	753,968	(752,431)	(1,048,561)
Transfers	13	(2,554,270)	2,967,412	(373,143)	-	-
Net movement in funds		(1,219,264)	86,008	380,825	(752,431)	(1,048,561)
Reconciliation of funds						
		Unrestricted funds		Restricted funds	Total funds	
		General	Designated			
		£	£	£	£	
Net movement in funds		(1,219,264)	86,008	380,825	(752,431)	
Fund balances brought forward at 1 April 2015	21	845,692	86,496,274	(190,055)	87,151,910	
Fund balances carried forward at 31 March 2016		(373,572)	86,582,282	190,770	86,399,479	
Net movement in funds		(178,502)	(893,094)	23,035	(1,048,561)	
Fund balances brought forward at 1 April 2014	21	1,024,194	87,389,368	(213,090)	88,200,472	
Fund balances carried forward at 31 March 2015		845,692	86,496,274	(190,055)	87,151,910	

All amounts derive from continuing operations.

* See note 1(n)(i)

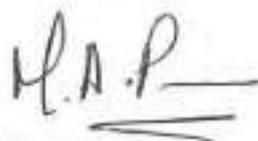
consolidated balance sheet

as at 31 March 2016

	Notes	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 Restated * £
Fixed assets					
Tangible fixed assets	7	86,582,282	-	86,582,282	86,496,274
Current assets					
Stocks		20,375	-	20,375	25,039
Debtors	9	2,638,639	-	2,638,639	2,107,635
Cash at bank and in hand		3,531,909	190,770	3,722,679	4,998,577
Total current assets		6,190,923	190,770	6,381,693	7,131,251
Current liabilities					
Creditors: amounts falling due within one year	10	(4,463,945)	-	(4,463,945)	(5,386,084)
Net current assets		1,726,978	190,770	1,917,748	1,745,167
Total assets less current liabilities		88,309,260	190,770	88,500,030	88,241,441
Bank loans due after more than one year	12	-	-	-	(650,000)
Finance leases	11	(2,100,550)	-	(2,100,550)	(439,530)
Creditors: amounts falling due after more than one year	11	(2,100,550)	-	(2,100,550)	(1,089,530)
Net assets		86,208,710	190,770	86,399,480	87,151,911
The funds of the group:					
General funds	13	(373,572)	-	(373,572)	845,692
Designated fixed asset reserve	13	86,582,282	-	86,582,282	86,496,274
Restricted reserves	13	-	190,770	190,770	(190,055)
Total funds		86,208,710	190,770	86,399,480	87,151,911

* See note 1(n)(i)

The financial statements on pages 18 to 38 were approved and signed by the Board of Directors on 7 December 2016:



Mark Pain

Chairman of the Finance and Audit Committee

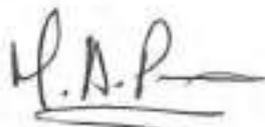
charity balance sheet

as at 31 March 2016

	Notes	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 Restated * £
Fixed assets					
Investments	8	1	-	1	1
Tangible fixed assets	7	86,582,282	-	86,582,282	86,496,274
		<u>86,582,283</u>	<u>-</u>	<u>86,582,283</u>	<u>86,496,275</u>
Current assets					
Debtors	9	2,276,312	-	2,276,312	2,543,793
Cash at bank and in hand		2,124,253	190,770	2,315,023	3,719,369
Total current assets		<u>4,400,565</u>	<u>190,770</u>	<u>4,591,335</u>	<u>6,263,162</u>
Current liabilities					
Creditors: amounts falling due within one year	10	(4,463,597)	-	(4,463,597)	(4,527,996)
Net current assets		<u>(63,032)</u>	<u>190,770</u>	<u>127,738</u>	<u>1,735,166</u>
Total assets less current liabilities		<u>86,519,251</u>	<u>190,770</u>	<u>86,710,021</u>	<u>88,231,441</u>
Bank loans due after more than one year	12	-	-	-	(650,000)
Finance leases	11	(2,100,550)	-	(2,100,550)	(439,530)
Creditors: amounts falling due after more than one year	11	(2,100,550)	-	(2,100,550)	(1,089,530)
Net assets		<u>84,418,701</u>	<u>190,770</u>	<u>84,609,471</u>	<u>87,141,911</u>
The funds of the charity:					
General funds	13	(2,163,581)	-	(2,163,581)	835,692
Designated fixed asset reserve	13	86,582,282	-	86,582,282	86,496,274
Restricted reserves	13	-	190,770	190,770	(190,055)
Total charity funds		<u>84,418,701</u>	<u>190,770</u>	<u>84,609,471</u>	<u>87,141,910</u>

* See note 1(n)(i)

The financial statements on pages 18 to 38 were approved and signed by the Board of Directors on 7 December 2016:



Mark Pain
Chairman of the Finance and Audit Committee

consolidated statement of cash flows

for the year ended 31 March 2016

	2015/16	2014/15
Notes	£	Restated *
	<u>£</u>	<u>£</u>
Net cash provided by operating activities	A 1,292,883	2,857,225
Cash flows from investing activities:		
Dividends, interest and rents from investments	(101,901)	(136,456)
Purchase of tangible fixed assets	(2,967,413)	(2,082,282)
Net cash used in investing activities	<u>(3,069,314)</u>	<u>(2,218,738)</u>
Cash flows from financing activities:		
Repayments of borrowing	(1,440,848)	(607,678)
Cash inflows from new borrowing	1,941,381	298,138
Net cash used in financing activities	<u>500,533</u>	<u>(309,540)</u>
Change in cash and cash equivalents in the reporting period	(1,275,896)	328,947
Cash and cash equivalents at the beginning of the reporting period	4,998,577	4,669,630
Cash and cash equivalents at the end of the reporting period	B <u>3,722,679</u>	<u>4,998,577</u>

* See note 1(n)(i)

notes to the consolidated statement of cash flows

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

	2015/16	2014/15
	£	Restated *
	<u>£</u>	<u>£</u>
Net expenditure for the reporting period (as per the statement of financial activities)	(752,431)	(1,048,561)
Adjustments for:		
Depreciation charges	2,871,298	2,971,386
Dividends, interest and rents from investments	101,901	136,456
Loss on disposal of fixed assets	10,107	3,993
Decrease / (increase) in stocks	4,661	(1,626)
(Increase) / decrease in debtors	(531,004)	706,280
(Decrease) / increase in creditors	(411,649)	89,297
Net cash inflow / (outflow) from operating activities	<u>1,292,883</u>	<u>2,857,225</u>

B Analysis of cash and cash equivalents

	2015/16	Restated *
	£	£
	<u>£</u>	<u>£</u>
Cash in hand	<u>3,722,679</u>	<u>4,998,577</u>

notes to the financial statements

1 Accounting policies

a) General information

Somerset House Trust is a registered charity (Registered Charity No. 1063640) and is incorporated as a private company limited by guarantee. It is domiciled in the United Kingdom. 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 Somerset House's Financial Statements and are as follows:

c) Basis of preparation

The consolidated financial statements have been prepared in accordance with 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 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

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

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 DCMG 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.

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. 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. A summary of the results of the charity is shown below:

Summary statement of financial activities (charity only)

	2015/16	2014/15
	£	Restated*
	£	£
Total income	11,166,269	9,388,058
Total expenditure	(13,698,709)	(12,912,362)
Net expenditure	<u>(2,532,440)</u>	<u>(3,524,304)</u>

* See note 1(n)(i)

notes to the financial statements (continued)

1 Accounting policies (continued)

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 and season ticket loans. 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) Tangible 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. Following the adoption of FRS102, the Trust has opted to change the value of the property lease from DCM5 from the 'valuation model' to the 'deemed cost' model, using the value as at 31 March 2009, when the asset was valued on an 'in use' basis. The property lease is stated at deemed cost less accumulated depreciation. The impact of this change in policy is that an updated in use valuation as at 31 March 2015, which resulted in a gain of £6m, has been reversed and the numbers in the prior year restated to reflect the deemed cost valuation. The property lease is held as property, plant & equipment 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	110 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.

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.

notes to the financial statements (continued)

1 Accounting policies (continued)

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.

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid. Creditors and provisions are recognised where there is a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

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.

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

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 on transition to FRS102. The property lease will continue to be depreciated from the valuation date in accordance with the Trust's accounting policies. The 2014/15 depreciation charge on the property lease has been restated accordingly. The overall impact of this adjustment is a reduction in the carrying value of the property lease valuation of £5.2m. This comprises the reversal of the 2014/15 revaluation gain of £5.8m and an adjustment of £0.6m to correct the 2009 valuation which was understated in error.

(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 (continued)

1 Accounting policies (continued)

p) Clarification of responsibilities relating to the implementation of FRS 102

We confirm that we have notified the Trustees in writing, regarding the disclosure exemptions which we have taken in these financial statements and did not receive any objections (as required by Section 1 of FRS102).

2 Analysis of expenditure

	Direct costs	Support costs	2015/16	2014/15
	£	£	£	Restated £
Expenditure on raising funds				
Fundraising costs of grants and donations	(100,657)	(20,231)	(120,888)	(1,925)
Interest payable and similar charges	-	(110,175)	(110,175)	(145,128)
	<u>(100,657)</u>	<u>(130,406)</u>	<u>(231,063)</u>	<u>(147,053)</u>
Expenditure on charitable activities				
Property management and conservation	(6,977,722)	(80,924)	(7,058,646)	(6,494,484)
Cultural and public events	(4,308,599)	(242,773)	(4,551,372)	(3,335,982)
Public education and communication	(721,328)	(360,127)	(1,081,455)	(1,088,383)
Merchandise costs	(553,246)	(40,462)	(593,708)	(440,154)
	<u>(12,560,895)</u>	<u>(724,286)</u>	<u>(13,285,181)</u>	<u>(11,359,003)</u>
Other expenditure				
Concessions and venue hire	(1,024,149)	(222,541)	(1,246,690)	(1,109,394)
Sponsorship costs	(26,310)	-	(26,310)	(12,135)
Rental costs	(624,831)	(40,462)	(665,293)	(1,496,130)
	<u>(1,675,290)</u>	<u>(263,003)</u>	<u>(1,938,293)</u>	<u>(2,617,659)</u>
Total expenditure	<u>(14,336,842)</u>	<u>(1,117,695)</u>	<u>(15,454,537)</u>	<u>(14,123,715)</u>

Concessions and venue hire expenditure in the prior year has been restated to remove recharges to clients that were previously netted off against expenditure. The recharges, totalling £140,815, are now included in Concessions and venue hire income.

3 Allocation of support costs

The Trust allocates its support costs as shown below:

	Expenditure on		Other expenditure	Support costs 2015/16	Support costs 2014/15
	Expenditure on raising funds	charitable activities			
	£	£	£	£	£
Governance	(20,231)	(627,163)	(263,003)	(910,397)	(942,393)
Interest paid	(110,175)	-	-	(110,175)	(145,128)
Marketing & Communications	-	(97,123)	-	(97,123)	(106,488)
	<u>(130,406)</u>	<u>(724,286)</u>	<u>(263,003)</u>	<u>(1,117,695)</u>	<u>(1,194,009)</u>

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.

4 Interest payable and similar charges

	2015/16	2014/15
	£	£
Interest payable on overdrafts and bank loans	(69,130)	(94,211)
Finance lease interest	(41,045)	(50,917)
	<u>(110,175)</u>	<u>(145,128)</u>

notes to the financial statements (continued)

5 Tax on surplus on ordinary activities

	2015/16	2014/15
	£	£
UK Corporation Tax - current tax charge	357,211	498,752
Adjustment in respect of previous periods	(6,988)	(3,385)
Tax on surplus on ordinary activities	350,223	495,367
Equity items - current tax credit	(349,014)	(491,764)
The charge for the year can be reconciled to the surplus per the profit and loss account as follows:		
	2015/16	2014/15
	£	£
Surplus on ordinary activities before taxation	1,781,218	2,479,346
Tax on surplus at UK corporation tax rate of 20%	356,244	495,869
Effects of:		
Expenses not deductible for tax purposes	967	2,883
Adjustment in respect of previous periods	(6,988)	(3,385)
Tax charge for the period as reported in the profit and loss account	350,223	495,367
Expected qualifying charitable donations (note 1)	(349,014)	(491,764)
Total tax charge for the period as reported in the Statement of Financial Activities	1,209	3,603

The current year tax liability disclosed above is considered unlikely to crystallise as a result of Somerset House Enterprises Limited's intention to carry back a donation of interim surpluses generated in 2016/17 in the form of a Gift Aid payment. On the basis that this is contingent upon future events, a tax liability has however been disclosed above and on the face of the SOFA to reflect the position as at the year end.

6 Net expenditure

Net expenditure is stated after charging the following:

	2015/16	2014/15
	£	£
Auditors' fees:		
- for audit of Somerset House Trust	41,660	33,000
- for audit of Somerset House Enterprises Limited	7,140	7,000
	48,800	40,000
Depreciation and amortisation:		
- property lease valuation	556,391	556,391
- leasehold improvements	1,876,466	1,941,806
- fixtures, fittings and equipment (owned)	227,429	267,650
- fixtures, fittings and equipment (leased)	211,011	205,539
	2,871,297	2,971,386

In addition to the audit fees listed above, 2 additional fees were paid to PWC during the year. A payment of £15,500 was made for an FRS102/SORP impact assessment and £3,500 was in respect of tax return work.

notes to the financial statements (continued)

7 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 2015	64,541,409	49,517,750	406,376	2,522,625	116,988,160
Additions	-	188,307	2,429,776	349,330	2,967,413
Disposals	-	-	-	(15,162)	(15,162)
Transfers	-	22,637	(22,637)	-	-
At 31 March 2016	64,541,409	49,728,694	2,813,515	2,856,793	119,940,411
<u>Accumulated depreciation</u>					
At 1 April 2015	3,338,348	25,502,515	-	1,651,023	30,491,886
Charge for the year	556,391	1,876,466	-	436,440	2,871,297
Disposals	-	-	-	(5,054)	(5,054)
At 31 March 2016	3,894,739	27,378,981	-	2,084,409	33,358,129
<u>Net book value</u>					
At 31 March 2016	60,646,670	22,349,713	2,813,515	772,384	86,582,282
At 31 March 2015	61,203,061	24,015,235	406,376	871,602	86,496,274

Restated fixed assets as at 31 March 2015 (Charity & Group)

	Property lease valuation	Leasehold improvements	Assets in the course of construction	Fixtures, fittings & equipment	Total
	£	£	£	£	£
<u>Cost or valuation</u>					
At 1 April 2014	64,541,409	47,586,645	752,017	2,044,212	114,924,283
Additions	-	527,042	1,081,319	473,921	2,082,282
Disposals	-	(10,000)	-	(8,405)	(18,405)
Transfers	-	1,414,063	(1,426,960)	12,897	-
At 31 March 2015	64,541,409	49,517,750	406,376	2,522,625	116,988,160
<u>Accumulated depreciation</u>					
At 1 April 2014	2,781,957	23,567,709	-	1,185,249	27,534,915
Charge for the year	556,391	1,941,806	-	473,189	2,971,386
Disposals	-	(7,000)	-	(7,415)	(14,415)
At 31 March 2015	3,338,348	25,502,515	-	1,651,023	30,491,886
<u>Net book value</u>					
At 31 March 2015	61,203,061	24,015,235	406,376	871,602	86,496,274
At 31 March 2014	61,759,452	24,018,936	752,017	858,963	87,389,368

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

As a first time adopter of FRS102, the charity has taken advantage of transition exemption in relation to its valuation of the property lease from DCMS on the basis of cost/benefit. The property lease will be valued at the UK GAAP valuation as at March 2009 and this valuation will be 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.

notes to the financial statements (continued)

7 Tangible fixed assets (Charity & Group) (continued)

A range of discount rates of between 5.0% and 7.5% has been applied to determine a net present value. The range of discount rates reflects 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 will be amortised on a straight line basis over 116 years.

Of the above Property lease valuation net book value of £61,203,061 at 31 March 2016, £52,364,738 is in held in a revaluation reserve (see note 13).

The Net Book Value of the Property Lease has moved from £75.9m to £60.6m in the year. As well as a change in the policy to deemed cost, which reduces the carrying value by £5.2m (comprising the reversal of the 2014/15 revaluation gain of £5.8m and an adjustment of £0.6m to correct the 2009 valuation which was understated in error), a prior year adjustment of £9.5m has been made to reclassify leasehold improvement additions from the Property Lease valuation to Leasehold improvements. This £9.5m adjustment has no overall effect on the carrying value of Fixed Assets, it is simply a reclassification. Any leasehold improvements that were previously treated as an addition to the property lease have been transferred to leasehold improvements.

8 Investments

	2016 £	2015 £
Trust		
At 1 April and at 31 March	1	1

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

	2016 £	2015 Restated *
<u>Somerset House Enterprises Limited</u>		
Turnover	3,537,046	3,690,698
Costs of sales	(1,737,466)	(1,204,352)
Gross profit	<u>1,799,558</u>	<u>2,486,346</u>
Administrative expenses	(18,340)	(7,000)
Operating profit	<u>1,781,218</u>	<u>2,479,346</u>
Payment to Somerset House Trust	-	-
Profit on ordinary activities before taxation	<u>1,781,218</u>	<u>2,479,346</u>
Tax on profit on ordinary activities	(1,209)	(3,603)
Profit for the financial year	<u>1,780,009</u>	<u>2,475,743</u>

* See note 1(n)(i)

notes to the financial statements (continued)

8 Investments (continued)

The aggregate of the assets, liabilities and funds was:

	2016	2015 Restated
	£	£
Assets	2,314,362	2,087,608
Liabilities	(524,352)	(2,077,607)
Funds	<u>1,790,010</u>	<u>10,001</u>

The Directors of Somerset House Enterprises Limited intend to pay its available profits to the Trust within nine months of the year end.

* See note 1(n)(i)

9 Debtors

	Charity 2016	Charity 2015	Group 2016	Group 2015
	£	£	£	£
Trade debtors	1,028,605	714,930	1,332,502	857,497
Amounts owed by group undertakings	-	682,078	-	-
Other debtors	16,669	8,583	20,432	13,048
Prepayments and accrued income	1,231,038	1,136,200	1,285,405	1,237,090
	<u>2,276,312</u>	<u>2,543,791</u>	<u>2,638,639</u>	<u>2,107,635</u>

10 Creditors: amounts falling due within one year

	Charity 2016	Charity 2015	Group 2016	Group 2015
	£	£	£	£
Bank loans (note 11)	-	595,448	-	595,448
Finance leases (note 19)	272,276	187,320	272,276	187,320
Trade creditors	822,598	907,642	907,722	1,031,293
Amounts owed to group undertakings	524,004	-	-	-
Taxation and social security	161,533	234,845	220,730	463,118
Other creditors	307,843	286,080	307,843	286,081
Accruals	640,835	807,710	682,532	906,085
Deferred income	1,734,508	1,508,952	2,072,842	1,916,741
	<u>4,463,597</u>	<u>4,527,996</u>	<u>4,463,945</u>	<u>5,386,086</u>

Included within Other creditors and Cash at bank and in hand (Charity and Group) is a balance of £264,823 held in trust for a tenant under a Rent Deposit Deed. The Deposit is held in a separate single purpose interest bearing account.

Deferred income

	Charity 2016	Charity 2015	Group 2016	Group 2015
	£	£	£	£
Deferred income brought forward	1,508,952	755,434	1,916,741	1,124,918
Released in year	(1,508,952)	(755,434)	(1,916,741)	(1,124,918)
Deferred in year	1,734,508	1,508,952	2,072,842	1,916,741
Deferred income carried forward	<u>1,734,508</u>	<u>1,508,952</u>	<u>2,072,842</u>	<u>1,916,741</u>

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. The deferred income, trade debtors and tax & social security debtors in the prior year have been restated to reflect this policy with an adjustment of £447,867 to deferred income, £89,573 to tax and social security and £537,440 to trade debtors.

notes to the financial statements (continued)

11 Creditors: amounts falling due after more than one year

	Charity & Group	
	2016	2015
	£	£
Bank loans repayable after more than one year (note 11)	-	650,000
Finance leases (note 19)	2,100,550	439,530
	2,100,550	1,089,530

12 Bank loans

	Charity & Group	
	2016	2015
	£	£
Amounts repayable:		
- within one year	-	595,448
- between one and two years	-	650,000
	-	1,245,448

Of the £1.245m of bank loans outstanding at 31 March 2015, £1.075m related to the term loan facility entered into in 2011 with National Westminster Bank plc. The final repayment to the bank of £1.075m was made during the year which discharged in full the loan obligations of the facility. The balancing amount of £0.170m drawn at 31 March 2015 related to the loan facility entered into with Lombard North Central Plc on 9 December 2014. Under the facility agreement this balance converted into a finance lease during the current year as part of a sale and leaseback arrangement. The sale and leaseback arrangement was entered into to fund the CCHP Plant.

The Trust has an overdraft facility of £750,000 which attracts interest of base plus 1.75% and remained unutilised during the year.

13 Statement of funds

Charity

	At 1 April 2015	Income	Expenditure	Transfers	At 31 March 2016
	£	£	£	£	£
Unrestricted funds					
General funds	835,692	10,203,021	(10,608,024)	(2,594,270)	(2,163,581)
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	87,331,966	10,203,021	(13,489,429)	373,143	84,418,701
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	87,141,911	11,166,269	(13,698,709)	-	84,609,471

notes to the financial statements (continued)

13 Statement of funds (continued)

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	87,341,965	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	87,151,910	14,703,315	(15,455,746)	-	86,399,479

The Trustees approved a new reserve policy for the Charity this year as set out in the Trustee's Report. Unrestricted funds are split between general funds (representing free reserves) and designated funds. The designated Fixed Asset fund is set at a level equivalent to the Charity's fixed assets and is shown above as split between original cost/valuation and revaluation reserve. Restricted funds are segregated between:

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.

£2,594,270 was transferred to the unrestricted designated fixed asset fund from general funds to reflect fixed asset additions funded by the Trust during the year.

£373,143 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.

The Charity only general funds position excludes a Gift Aid transfer from Somerset House Enterprises Limited of £1,780,009 which was not formally committed before the 31 March 2016, but which the Directors of Somerset House Enterprises Limited intend to pay to the Trust within nine months of the year end.

14 Employee details

Staff costs	2015/16	2014/15
	£	£
Wages and salaries	2,306,466	2,280,358
Social security costs	248,894	251,730
Other pension costs	161,457	114,602
Temporary staff salaries (including social security costs)	505,970	492,129
	3,222,787	3,138,819

The other pension costs above include an accrual of £12,120 (2015: £17,239) in respect of amounts due under employees' personal defined contribution schemes.

notes to the financial statements (continued)

14 Employee details (continued)

<u>Emoluments over £60,000</u>	2015/16 Number	2014/15 Number
£60,001 - £70,000	-	2
£70,001 - £80,000	2	-
£100,001 - £110,000	-	1
£120,001 - £130,000	1	-
£130,001 - £140,000	1	-
£160,001 - £170,000	1	2
£200,001 - £210,000	-	1

The emoluments in the table above include basic salaries paid in 2015/16 and ex gratia payments to former employees. The 2014/15 emoluments include basic salaries paid in 2014/15, bonuses relating to 2013/14 agreed and paid in 2014/15, accrued bonuses relating to 2014/15 and ex gratia payments to former employees.

Total employee benefits received by key management personnel in year were £521,784 (2014/15: £693,253).

<u>Staff functions</u>	2015/16 Number	2014/15 Number
The monthly average full time equivalent employees during the year, analysed by function, were:		
Concessions and venue hire	11	11
Fundraising	1	-
Rental	2	3
Property management and conservation	4	4
Cultural and public events	12	7
Public education, communication and visitor services	13	14
Merchandise	2	2
Governance	8	8
	<u>53</u>	<u>49</u>

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

15 Trustee remuneration and related party transactions

No remuneration directly or indirectly out of the funds of the charity was paid to any Trustee or to any related party. Expenses incurred by the charity for Trustees during the year totalled £nil (2014/15: £nil). Trustee indemnity insurance was purchased by the charity during the year at a cost of £6,437 (2014/15: £6,437). The charity has taken advantage of the exemption under FRS 102 and has chosen not to disclose transactions with its wholly owned subsidiary.

Tony Elliott (Trustee) is a Director of Time Out Digital Limited ('Time Out') (formerly Time Out Group Limited). The Trust paid £6,780 directly and £9,900 through third parties to Time Out during the year for advertising services in relation to the cultural programme.

Baroness Lola Young (Trustee) is a Commissioner for Historic England. Historic England held the exhibition *Out There: Our Post-War Public Art* at Somerset House between 3 February 2016 and 10 April 2016. Historic England paid the Trust £201,600 during the year to cover the costs of the exhibition in advance. An amount of £940 was due to the Trust at 31 March 2016.

Lady Caroline Jayne Michel (Trustee) is Chair of BFI Trust ('BFI'). The Trust paid £1,426 to BFI during the year for film hire.

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 £44,207, which has been recognised in the financial statements.

Laurence Green (Trustee) is a Director of 101 Projects Limited ('101') which rents office space at Somerset House. 101 paid the Trust £322,991 during the year representing rent, service charge, the provision of information and communication technology services and insurance. 101 paid Somerset House Enterprises Limited £1,290 during the year for meeting room hire.

notes to the financial statements (continued)

15 Trustee remuneration and related party transactions (continued)

Jonathan Reekie (Director) is a Director of Northbank Bid Limited ("Northbank") which rents office space at Somerset House. Northbank paid the Trust £50,087 during the year representing rent, service charge, the provision of information and communication technology services and insurance.

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 £44,267 during the year representing rent, service charge, the provision of information and communication technology services and insurance. An amount of £24 was due to the Trust at 31 March 2016. RSL paid Somerset House Enterprises Limited £1,890 during the year for meeting room hire.

Emma Barrow (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 £2,868 in membership fees during the year.

16 Charitable status

Somerset House Trust is a charity registered under the Charities Act 2011 (number 1063640). As such, the charity is entitled to take advantage of the exemptions granted by s.505 of the Income and Corporation Taxes Act 1988.

17 Capital commitments

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

	Charity & Group	
	2015/16	2014/15
	£	£
Contracted for at 1 April	1,480,030	1,790,975
Commitments entered into during the course of the year and outstanding at the year end	202,150	54,684
Utilised during the year	(1,480,030)	(365,629)
Contracted at 31 March	<u>202,150</u>	<u>1,480,030</u>

Capital commitments at 1 April 2015 related to the CCHP plant. Capital commitments at 31 March 2016 relate to the refurbishment of three of the lifts in the South Wing building. All amounts are expected to become payable within one year.

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

	Assets in the course of construction	Fixtures, fittings & equipment	2015/16	2014/15
	£	£	£	£
<u>Cost</u>				
At 1 April	-	1,142,839	1,142,839	1,015,146
Additions	1,846,000	95,381	1,941,381	127,693
At 31 March	<u>1,846,000</u>	<u>1,238,220</u>	<u>3,084,220</u>	<u>1,142,839</u>
<u>Accumulated depreciation</u>				
At 1 April	-	(607,639)	(607,639)	(402,100)
Charge for the year	-	(211,011)	(211,011)	(205,539)
At 31 March	-	<u>(818,650)</u>	<u>(818,650)</u>	<u>(607,639)</u>
Net book value	<u>1,846,000</u>	<u>419,570</u>	<u>2,265,570</u>	<u>535,200</u>

Fixtures, fittings and equipment held under finance leases comprise the telephone and wifi infrastructure installed in tenants' offices throughout South, West and New Wings, as well as the telephone and wifi infrastructure and photocopier used by the Trust in its offices in South Wing. Assets in the course of construction held under finance leases comprise solely the CCHP plant.

notes to the financial statements (continued)

19 Finance leases

Future minimum payments under finance leases are as follows:

	2015/16	2014/15
	£	£
Within one year	375,465	227,563
In more than one year, but not more than five years	1,545,418	478,269
After five years	802,752	-
Total gross payments	2,723,635	705,832
Future financing charges	(350,810)	(78,982)
Finance lease liability	<u>2,372,825</u>	<u>626,850</u>

20 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:

	2015/16	2014/15
	£	£
Receipts due	20,052,110	21,073,142
Within one year	2,003,545	1,975,902
In more than one year, but not more than five years	7,206,329	7,250,082
After five years	10,842,236	11,847,158

21 Transition to FRS 102

This is the first year that the Group and Charity has presented its results under FRS102. The last financial statements prepared under UK GAAP were for the year ended 31 March 2015. The date of transition to FRS102 is 1 April 2014. In preparing the financial statements, the trustees have considered whether applying the accounting policies required by FRS102 and Charities SORP (FRS102) required a restatement of comparative items. Set out overleaf are the changes in accounting policies which reconcile (a) tangible fixed assets as at 1 April 2014; (b) net expenditure for the year ended 31 March 2015; (c) the total funds as at 1 April 2014; and (d) the total funds as at 31 March 2015 between FRS102 and what was previously reported under UK GAAP. In addition to adjustments to FRS102 the Trust also corrected a misclassification of certain expenditure as Property lease valuation additions. It was previously classified as additions to the Property lease valuation and is now shown within Leasehold improvements. Prior years have also been adjusted to reflect the change (see (a) overleaf).

Other adjustments arising on transition to FRS 102

The Group's and Charity statement of cash flows reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the statement of cash flows reconciled to cash and cash equivalents where as under previous UK GAAP the statement of cash flows reconcile to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand. The FRS 1 definition is more restrictive.

notes to the financial statements (continued)

21 Transition to FRS 102 (continued)

(a) Tangible fixed assets (Charity & Group)

	Property lease valuation	Leasehold improvements	Assets in the course of construction	Fixtures, fittings & equipment	Total
	£	£	£	£	£
Cost or valuation at 1 April 2014					
As previously reported under UK GAAP	72,239,560	39,247,489	752,017	2,044,212	114,283,278
Reclassify additions to Leasehold improvements *	(8,339,156)	8,339,156	-	-	-
	63,900,404	47,586,645	752,017	2,044,212	114,283,278
Previous understatement of revaluation gain in 2010 *	641,005	-	-	-	641,005
As reported under FRS 102	64,541,409	47,586,645	752,017	2,044,212	114,924,283
Accumulated depreciation at 1 April 2014					
As previously reported under UK GAAP	3,050,286	23,147,453	-	1,185,249	27,382,988
Reclassify depreciation on additions to Leasehold improvements *	(290,181)	290,181	-	-	-
Correction of historical amortisation charge difference **	21,852	-	-	-	21,852
	2,781,957	23,437,634	-	1,185,249	27,404,840
Depreciation on additions previously included in property lease valuation ***	-	130,075	-	-	130,075
As reported under FRS 102	2,781,957	23,567,709	-	1,185,249	27,534,915
Net book value at 1 April 2014					
As previously reported under UK GAAP	69,189,274	16,100,036	752,017	858,963	86,900,290
Reclassify additions to Leasehold improvements *	(8,339,156)	8,339,156	-	-	-
Reclassify depreciation on additions to Leasehold improvements *	290,181	(290,181)	-	-	-
Previous understatement of revaluation gain in 2010 *	641,005	-	-	-	641,005
Correction of historical amortisation charge difference **	(21,852)	-	-	-	(21,852)
Depreciation on additions previously included in property lease valuation ***	-	(130,075)	-	-	(130,075)
As reported under FRS 102	61,759,452	24,018,936	752,017	858,963	87,389,368

* See note 7

** Accumulated amortisation charge amended to reflect correct position as a result of reverting to 2009 valuation

*** Accumulated depreciation charge amended to reflect items previously incorrectly included in property lease valuation in 2009 valuation therefore not depreciated in error

(b) Net expenditure for the year ended 31 March 2015

Net expenditure as previously reported under UK GAAP	(983,718)
Change of property asset accounting policy from valuation to deemed cost methodology	(64,843)
Net expenditure as previously reported under FRS 102	(1,048,561)

notes to the financial statements (continued)

21 Transition to FRS 102 (continued)

In accordance with the requirements of FRS 102 a reconciliation of funds is shown below.

(i) Reconciliation of funds as at 1 April 2014

Charity

	Designated fixed asset reserve			Total unrestricted funds	Maintenance and service charge fund	Projects fund	Capital grants fund	Total restricted funds	Total funds
	General funds	Revaluation reserve	Original cost						
	£	£	£	£	£	£	£	£	£
As previously reported under UK GAAP	35,546,746	52,344,718	-	87,394,464	(213,090)	-	-	(213,090)	87,761,374
Previous understatement of revaluation gain in 2010 [*]	441,005	-	-	441,005	-	-	-	-	441,005
Depreciation on understated assets above **	(130,075)	-	-	(130,075)	-	-	-	-	(130,075)
Correction of historical amortisation charge difference ***	(21,852)	-	-	(21,852)	-	-	-	-	(21,852)
Creation of designated fixed asset reserve	(15,024,630)	-	15,024,630	-	-	-	-	-	-
As reported under FRS 102	1,814,194	52,344,718	15,024,630	88,483,542	(213,090)	-	-	(213,090)	88,146,472

State

	Designated fixed asset reserve			Total unrestricted funds	Maintenance and service charge fund	Projects fund	Capital grants fund	Total restricted funds	Total funds
	General funds	Revaluation reserve	Original cost						
	£	£	£	£	£	£	£	£	£
As previously reported under UK GAAP	35,546,746	52,344,718	-	87,924,464	(213,090)	-	-	(213,090)	87,711,374
Previous understatement of revaluation gain in 2010 [*]	441,005	-	-	441,005	-	-	-	-	441,005
Depreciation on understated assets above **	(130,075)	-	-	(130,075)	-	-	-	-	(130,075)
Correction of historical amortisation charge difference ***	(21,852)	-	-	(21,852)	-	-	-	-	(21,852)
Creation of designated fixed asset reserve	(15,024,630)	-	15,024,630	-	-	-	-	-	-
As reported under FRS 102	1,824,194	52,344,718	15,024,630	88,413,542	(213,090)	-	-	(213,090)	88,200,472

(ii) Reconciliation of funds as at 31 March 2015

Charity

	Designated fixed asset reserve			Total unrestricted funds	Maintenance and service charge fund	Projects fund	Capital grants fund	Total restricted funds	Total funds
	General funds	Revaluation reserve	Original cost						
	£	£	£	£	£	£	£	£	£
As previously reported under UK GAAP	34,542,393	58,206,543	-	92,748,936	(190,055)	-	-	(190,055)	92,558,881
Previous understatement of revaluation gain in 2010 [*]	441,005	-	-	441,005	-	-	-	-	441,005
Depreciation on understated assets above **	(154,090)	-	-	(154,090)	-	-	-	-	(154,090)
Correction of historical amortisation charge difference ***	(24,223)	-	-	(24,223)	-	-	-	-	(24,223)
Correction of 2014/15 depreciation error ****	(34,457)	-	-	(34,457)	-	-	-	-	(34,457)
Reversal of 2014/15 revaluation [†]	-	(5,841,805)	-	(5,841,805)	-	-	-	-	(5,841,805)
Creation of designated fixed asset reserve	(14,131,534)	-	14,131,534	-	-	-	-	-	-
As reported under FRS 102	825,021	52,364,738	14,131,534	87,341,966	(190,055)	-	-	(190,055)	87,151,911

State

	Designated fixed asset reserve			Total unrestricted funds	Maintenance and service charge fund	Projects fund	Capital grants fund	Total restricted funds	Total funds
	General funds	Revaluation reserve	Original cost						
	£	£	£	£	£	£	£	£	£
As previously reported under UK GAAP	34,532,915	58,195,543	-	92,728,458	(190,055)	-	-	(190,055)	92,538,403
Previous understatement of revaluation gain in 2010 [*]	441,005	-	-	441,005	-	-	-	-	441,005
Depreciation on understated assets above **	(154,090)	-	-	(154,090)	-	-	-	-	(154,090)
Correction of historical amortisation charge difference ***	(24,223)	-	-	(24,223)	-	-	-	-	(24,223)
Correction of 2014/15 depreciation error ****	(34,457)	-	-	(34,457)	-	-	-	-	(34,457)
Reversal of 2014/15 revaluation [†]	-	(5,841,805)	-	(5,841,805)	-	-	-	-	(5,841,805)
Creation of designated fixed asset reserve	(14,131,534)	-	14,131,534	-	-	-	-	-	-
As reported under FRS 102	815,021	52,344,738	14,131,534	87,341,966	(190,055)	-	-	(190,055)	87,151,911

[†] See note 7

** Accumulated depreciation charge amended to reflect items previously incorrectly included in property lease valuation in 2009 valuation therefore not depreciated in error

*** Accumulated amortisation charge amended to reflect correct position as a result of reverting to 2009 valuation

**** Accumulated depreciation charge amended to reflect items not depreciated in error in 2014/15

notes to the financial statements (continued)

22 Full prior year disclosure of the consolidated statement of financial activities

	Unrestricted funds			Restricted funds	Total 2015/16	Unrestricted funds			Restricted funds	Total 2014/15 Restated*
	General	Designated	£			General	Designated	£		
Incoming and endowments from:										
Donations and legacies	-	-	712,890	712,890	712,890	-	-	72	-	72
Charitable activities	11,069,619	-	250,358	11,319,977	11,319,977	-	-	10,086,341	-	10,325,444
Other trading activities	2,662,175	-	-	2,662,175	2,662,175	-	-	2,744,568	-	2,744,568
Investments	8,273	-	-	8,273	8,273	-	-	8,672	-	8,672
Total incoming resources	13,740,067	-	963,248	14,703,315	14,703,315	-	-	12,839,653	239,103	13,078,756
Expenditure on:										
Raising funds	(231,063)	-	-	(231,063)	(231,063)	-	-	(147,053)	-	(147,053)
Charitable activities	(10,750,887)	(2,325,014)	(209,280)	(13,285,181)	(13,285,181)	(2,053,235)	(216,068)	(9,089,699)	(216,068)	(11,359,002)
Other	(1,381,902)	(556,391)	-	(1,938,293)	(1,938,293)	(922,141)	-	(1,695,518)	-	(2,617,659)
Total resources expended	(12,363,852)	(2,881,405)	(209,280)	(15,454,537)	(15,454,537)	(2,975,376)	(216,068)	(10,932,270)	(216,068)	(14,123,714)
Tax on profit on ordinary activities	(1,209)	-	-	(1,209)	(1,209)	-	-	(3,603)	-	(3,603)
Net (outgoing) / incoming resources	1,375,006	(2,881,405)	753,968	(752,431)	(752,431)	(2,975,376)	23,035	1,903,780	23,035	(1,048,561)
Transfers	(2,594,270)	2,967,413	(373,143)	-	-	2,082,282	-	(2,082,282)	-	-
Net movement in funds	(1,219,264)	86,008	380,825	(752,431)	(752,431)	(193,094)	23,035	(178,502)	23,035	(1,048,561)
Fund balances brought forward at 1 April	845,692	86,496,274	(190,055)	87,151,910	87,151,910	87,389,368	(213,090)	1,024,194	(213,090)	88,200,472
Fund balances carried forward at 31 March	(373,572)	86,582,282	190,770	86,399,479	86,399,479	86,496,274	(190,055)	845,692	(190,055)	87,151,910

* See note 1(n)(i)