

Presented to Parliament pursuant to Section 47 (3) of the Local Government Act 1985

SOUTHBANK CENTRE

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2015

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SOUTHBANK CENTRE

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SOUTHBANK CENTRE

Registered as a Charity No. 298909

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EC1R 0ER

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London
EC2V 7WS

Independent Auditors

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1 Embankment Place
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WC2N 6RH

SOUTHBANK CENTRE

TRUSTEES

Board of Governors

The Governors of the Board who served during the year and subsequently are:

<i>Governor</i>	<i>Appointed</i>	<i>Resigned/ retired</i>	<i>Last re-appointment</i>
Mr Rick Haythornthwaite (Chairman)	31 January 2008		01 July 2014
Mr Robin Woodhead (Deputy Chairman)	22 September 2004		01 July 2014
Mr Nihal Arthanayake	25 January 2011		01 July 2014
Dame Vivien Duffield	24 June 2002		01 July 2014
Ms Susan Gilchrist	24 September 2008		02 July 2012
Mr Brent Hansen	24 September 2008		02 July 2012
Ms Fionnuala Hogan	21 November 2007		01 July 2014
Mr David Kershaw	24 September 2008		02 July 2012
Mr Julian Lloyd Webber	30 September 2009	01 April 2015	
Mr Cornelius Medvei	30 September 2009		02 July 2013
Ms Ursula Owen, OBE	02 July 2003		02 July 2012
Mr Jamie Ritblat	30 September 2009		02 July 2013
Ms Maggie Semple OBE	23 September 2010		01 July 2014
Mr Mark Wallinger	29 April 2010	02 July 2013	
Mr Michael Zaoui	02 July 2012		02 July 2012

New Governors are appointed under selection criteria that ensure the Board maintains a broad range of skills and relevant experience. A Governor is appointed after agreeing to become a Member of the Board, after the Secretary to the Board has received written approval from the Secretary of State for Culture, Media and Sport for his or her admission as a Member, and after his or her name has been entered in the Register of Members. A Governor usually serves for a period of three years from the Annual General Meeting following the date of their appointment, and may be reappointed for three further periods of three years each, subject to a maximum tenure of twelve years as a Governor.

An induction programme is offered to all new Governors to ensure that they are briefed on the charity's objectives, strategy and activities.

The Governors meet six times a year on a regular basis, but may meet more frequently if required. The Board also has a number of sub-committees which meet at different intervals. The Governors who currently serve on committees are:

<i>Audit and Risk</i>	Fionnuala Hogan (C), Brent Hansen, Rick Haythornthwaite, Susan Gilchrist, Cornelius Medvei, Jamie Ritblat
<i>Remuneration</i>	David Kershaw (C), Brent Hansen, Cornelius Medvei, Ursula Owen
<i>Nominations and Governance</i>	Rick Haythornthwaite (C), Dame Vivien Duffield, Brent Hansen, Robin Woodhead
<i>Capital Campaign</i>	Michael Zaoui (C), Rick Haythornthwaite, Dame Vivien Duffield, Robin Woodhead
<i>Festival Wing</i>	Jamie Ritblat (C), Rick Haythornthwaite, Cornelius Medvei, Ursula Owen, Michael Zaoui, Fionnuala Hogan (co-opted member), Mick Mannion (co-opted member), Mark Enderby (co-opted member)

C = Chairman of that Committee

CHIEF EXECUTIVE AND OTHER CURRENT SENIOR STAFF

The Chief Executive and other senior staff to whom day to day management of the charity is delegated by the Governors are:

Alan Bishop	Chief Executive
Jude Kelly, OBE	Artistic Director
Jane Beese	Head of Contemporary Music
Victoria Cheetham	Director of Producing and Presentation
Sarita Godber	Director of Human Resources (maternity leave - left 28 Feb 2015)
Richard Buxton	Director of Human Resources (maternity cover - left 31 Jan 2015)
Katy Dent	Director of Human Resources (from 9 Feb 2015)
Molly Jackson	Deputy Chief Executive
Shân MacLennan	Deputy Artistic Director
Wendy Martin	Head of Dance and Performance (left 9 Jan 2015)
Mike McCart	Director of Partnerships and Policy
Gillian Moore, MBE	Director of Music
Rebecca Preston	Director of Development (left 25 April 2014)
Clare Connor	Director of Business Development (from 1 November 2014)
Ralph Rugoff	Director, Hayward Gallery
James Runcie	Head of Literature and Spoken Word (left 21 Jan 2015)
Mark Rushworth	Property Director
Jeremy Smeeth	Finance Director
Edward Venning	Director of Communications and Marketing (left 31 August 2014)
Chris Denton	Director of Marketing and Communications (from 1 December 2014)

SOUTHBANK CENTRE

CHAIRMAN'S FOREWORD

In 2014/15 we took inspiration from the changing world around us to bring people together from across different communities to celebrate world class art and culture. We saw some exciting new festivals debut at Southbank Centre and the return of some of our favourites.

In the summer we held our inaugural Festival of Love, bringing together thousands of people to celebrate seven different types of love Ludus (flirtatious love); Eros (romantic love); Pragma (enduring love); Storge (family love); Philautia (self-respect); Philia ('brotherly' love); and Agape (love of humanity). The Festival culminated in our Big Wedding Weekend, to mark the passing of the Equal Marriage Act, with seventy couples marrying in six ceremonies in the Royal Festival Hall.

Our Why? Festival asked What's Happening for the Young. The weekend was inspired by the United Nations Convention on the Rights of the Child and covered everything from adoption and hungry children to education, cyber-bullying and health.

We also held our first Web We Want festival, which celebrated the 25th anniversary of the invention of the World Wide Web in conjunction with Sir Tim Berners-Lee's World Wide Web Foundation. We were honoured that Sir Tim wrote the first line of code for our new website.

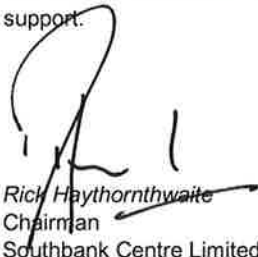
The year saw the return of some of our very successful festivals drawing from an incredible pool of diverse talent: the second Unlimited Festival, celebrating the artistic vision and originality of disabled artists, the Africa Utopia Festival which celebrated what can be learnt from Africa and the African Diaspora through music, fashion, talks, food and technology, and Chorus now in its sixth year celebrating the joy that comes from singing together.

We finished the year with another successful WOW- Women of the World festival which saw 90,000 people visiting our site over the course of a week. We were honoured that HRH The Duchess of Cornwall agreed to become WOW President and a WOW event was hosted by Samantha Cameron at 10 Downing Street to mark International Women's Day.

We are proud of our continuing place at the centre of classical music. As well as the wonderful performances of our resident orchestras, this year's highlights included our Pull out all the Stops festival, celebrating the restoration of the Royal Festival Hall organ. BBC Radio 3 held a fortnight long residency throughout the festival broadcasting live from a glass-box studio in the RFH foyer.

We look forward to the coming year, with the scheduled renovation of the Festival Wing area of the site. Important work to the Queen Elizabeth Hall, Purcell Room and Hayward Gallery will help preserve these historic venues for the future and allow people from all walks of life to experience unique moments of arts and culture.

Southbank Centre continues to run itself on the principles of sound financial management and organisational efficiency, coupled with a strong entrepreneurial outlook. This approach has meant that our financial results have generally attained or exceeded expectations over recent years. Nonetheless we could not offer such a wide-ranging artistic programme or cover the costs of maintaining this 21-acre site without substantial core funding from Arts Council England. We are grateful for their ongoing support.



Rick Haythornthwaite
Chairman
Southbank Centre Limited
As Trustee for Southbank Centre

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

Legal Framework

Southbank Centre is a registered charitable trust with a single corporate trustee, Southbank Centre Limited, a company limited by guarantee. Southbank Centre was formed by deed of trust on 31 March 1988. Its main objects are stated below and there have not been any changes to these during the year. As trustee of Southbank Centre, Southbank Centre Limited has power to revoke or vary any or all of the provisions of the deed of trust, subject to the consent of the Department for Culture, Media and Sport (after consultation with Arts Council England), with the exception of the charitable objects of the trust and the clause requiring ministerial consent, provided that the alterations would not have the effect of causing the trust to cease to be exclusively charitable under the laws of England and Wales.

Southbank Centre Limited has two wholly owned subsidiaries which it holds on behalf of Southbank Centre. The South Bank Foundation Limited is a dormant registered charity and company limited by guarantee. The Charity Commission issued a uniting direction for registration purposes for Southbank Centre (charity 298909) and South Bank Foundation Limited (charity 1054105) in October 2004.

Southbank Centre Limited's other wholly owned subsidiary is Southbank Centre Enterprises Limited, which manages certain commercial activities on the Southbank estate. The results of Southbank Centre Enterprises Limited are consolidated on a line-by-line basis with those of Southbank Centre. See note 18 for details of Southbank Centre Enterprises Limited's results.

Governors and Management

The Board of Governors, who are directors of Southbank Centre Limited (the sole corporate trustee), are not remunerated for their services and have delegated management of Southbank Centre's operational affairs to a Chief Executive and an Executive Directorate who attend Board meetings but are not entitled to vote.

The Board of Governors retain decision-making over certain matters, including the approval of strategic plans and major projects, remuneration matters of the Chief Executive, and variations to governing documents. The Board currently has five sub-committees to assist its governance of Southbank Centre: Audit and Risk, Remuneration, Nominations and Governance, Capital Campaign and Festival Wing Committees.

Further details on the charity's Governors, senior staff and professional advisors are set out on pages 1-2 of these financial statements.

REPORT OF THE TRUSTEE

Review of the Business

Southbank Centre's principal activities are the programming and promotion of artistic events surrounded by a learning and participation programme, and maintenance of the 21-acre site of which it is leaseholder.

Southbank Centre has evolved a sustainable financial model whereby an increasing proportion of the artistic programme is free and extensive use is made of the whole site through an integrated approach to artistic programming and commercial entrepreneurship. Building on the heritage of the 1951 Festival of Britain, Southbank Centre has evolved an approach to artistic programming through a series of annual and one-off themed festivals. This creates a vibrant and exciting atmosphere, where 'there is always something going on'. The festival approach means that people come to Southbank Centre to share time with friends and family, which often involves spending money in the cafes, bars, markets, leasehold restaurants and other charged for activities on site. This makes Southbank Centre a very desirable site for commercial partners.

The warm welcome to all, the festival approach with the extensive free programme and generous public spaces mean that Southbank Centre has a fine track record of drawing diverse audiences many of whom are 'first-timers' to arts and culture. Corporate sponsors are also attracted by the high footfall and innovative participative festivals.

The growth of commercial income, together with increases in fundraising from companies, trusts, foundations and individuals as well as efficient management of costs has meant that Southbank Centre has flipped from being 58% publicly funded in 2009 to 42% publicly funded in 2015. The gap created by cuts in public sector funding in recent years has been covered by this growth in self-generated income. Moreover expenditure on the artistic programme, including the free programme, has been increased and more of the site has been made accessible to the public. This has been achieved in the context of increasing costs for operating the site.

Artistic Review

As described above, much of our programme is presented within a series of annual, biennial or one-off festivals. We use these festivals to set up encounters between artists and audiences across artistic platforms. This enables everyone to discover, enjoy and deepen their engagement with the arts.

Festivals by their nature are occasions for celebration and enjoyment, to reflect on the past and explore the future in a spirit of sharing and friendship. They provide a safe environment for tackling difficult issues, making real our ambition to achieve social change for the better through art.

Within this festival structure, our artistic offer is wide-ranging, covering contemporary and classical music, performance, dance, visual art and the spoken word. Each festival consists of ticketed and free events, combining different art forms. The festival themes inspire the animation of the whole site with installations, and influence our entrepreneurial activities.

REPORT OF THE TRUSTEE

During 2014/15 our festivals included:

- Chorus (31 March – 6 April) celebrating the joy that comes from singing together.
- Alchemy (15 – 26 May) an examination of South Asian culture.
- Festival of Love (28 June – 31 August) bringing together thousands of people to celebrate seven different types of love.
- James Lavelle's Meltdown (12 – 22 June) the famous festival of music, art, poetry and talks, curated each year by an influential musician.
- Unlimited Festival (2 – 7 September) celebrating the artistic vision and originality of disabled artists.
- Africa Utopia (11 – 14 September) exploring what can be learnt and celebrated from Africa and the African Diaspora.
- Darbar Festival (17 – 21 September) a weekend of Indian classical music, culture and food.
- Web We Want festival (September 2014 – May 2015) celebrated the 25th anniversary of the invention of the World Wide Web.
- WHY Festival (23 – 26 October) asked What's Happening for the Young.
- The Winter Festival (5 November – 11 January) with international shows and performances, installations and festive markets.
- WOW – Women of the World (1 – 8 March) celebrating the achievements and potential of women.

Through these festivals and our ongoing artistic programme working in partnership with a wide range of groups and individuals, including our artists in residence and four resident orchestras, remains an intrinsic part of Southbank Centre's work. Collaborations with organisations such as Underbelly, the Alchemy partners and the Koestler Trust bring inventiveness, originality and playfulness to our programme.

We include below some highlights from our artistic programme in 2014-15, demonstrating how we fulfil our goals as a National Partnership Organisation of our major funder, Arts Council England.

In the summer we held our inaugural **Festival of Love**, bringing together thousands of people to celebrate seven different types of love Ludus (flirtatious love); Eros (romantic love); Pragma (enduring love); Storge (family love); Philautia (self-respect); Philia ('brotherly' love); and Agape (love of humanity). An estimated 1.6m people engaged with the festival over the summer and highlights included a reading of all 154 of Shakespeare's Sonnets in the Royal Festival Hall on the 450th anniversary of his birth, a Love at the Pictures series showing films including Dirty Dancing, The Graduate, Devdas and sing-a-long Grease and a performance by the London Philharmonic Orchestra of the score to David Lean's Brief Encounter - Rachmaninov's Piano Concerto No.2. The Festival culminated in our Big Wedding Weekend, to mark the passing of the Equal Marriage Act, with seventy couples marrying in six ceremonies in the Royal Festival Hall.

This year we hosted our biggest **WOW - Women of the World** festival yet, spread over eight days from the 1 - 8 March. We were honoured to welcome HRH The Duchess of Cornwall as President of the festival. Nearly 90,000 people visited our site during the festival. Highlights of the amazing week included Salma Hayek Pinault presenting the UK premiere of her animation The Prophet, Bridget Christie performing a one off edition of An Ungrateful Woman and a pre-election hustings where leading women from all parties answered questions on what they hoped to do for women in the next Parliament. Women of the World festival global network continued to thrive with repeat festivals in Derry-Londonderry and Katherine in the Northern Territory of Australia, and new festivals in Cardiff, Cambridge, Alexandria in Egypt and Folkestone.

REPORT OF THE TRUSTEE

We continued to celebrate and learn from the art of different cultures with the return of three popular festivals. **Alchemy** celebrated its fifth birthday this year from 15 – 26 May. This year the programme reflected the partnerships that have since emerged with artists and organisations from India and also Pakistan, Afghanistan, Bangladesh, Sri Lanka and, of course, the UK. We were delighted to host **Darbar Festival** once more from 17 – 21 September as part of our regular classical music season and our continued commitment to Indian classical music's rich tradition. **Africa Utopia** festival also returned in September following a very successful launch in 2012, exploring what can be learnt and celebrated from Africa and the African Diaspora through music, fashion, talks and debates, food and technology.

From 23 – 26 October, the first edition of **WHY? What's Happening for the Young?** took place in several venues across our site. The festival was developed working in close collaboration with our sponsors Mischon de Reya, inspired by the United Nations Convention on the Rights of the Child which sets out the human rights of everyone under the age of 18 in 54 articles. The programme included talks and debates on everything from adoption and hungry children to education, cyber-bullying and health. 500 primary school pupils from our Associate Schools led a protest with banners proclaiming the rights and issues they felt were most important from 'Children are people too, we do not work for you', to 'Ban bullying', 'Keep our animals' and a banner looking at how the world's resources are shared out across different countries; 'It's not fair, share!'.

2014 also saw the launch of **Web We Want** with three weekends celebrating 25 years of the internet and asking what next for the World Wide Web in conjunction with Sir Tim Berners-Lee's World Wide Web Foundation. We were honoured that Sir Tim wrote the first line of code for our new website. As part of the festival we worked with Lambeth City Learning Centre's young Digital Leaders, who took part in a programme ranging from debating what a Magna Carta for the Internet could look like, with workshops run by the British Library to learning to code in a 1980s style IT classroom run by the Centre for Computing History.

The first events for **Changing Britain**, a festival interrogating the last 70 years of British history and culture, took place in January and February. As a precursor to our main events in April and May, we presented Six thoughts on Changing Britain on the Clore Ballroom as a taste of the main talks programme to come. A special Friday Tonic with MasterCard presented Sounds of the Windrush in the Queen Elizabeth Front Room, with a band of young musicians led by Jazz Jamaica leader Gary Crosby and calypso artist Alexander D Great.

We had another wonderful **classical music** season. On Remembrance Sunday (9 November 2014), Southbank Centre marked the centenary of World War I (WWI) with a day of talks, workshops and free events, which investigated the history of the Great War and the context of Britten's War Requiem through literature, poetry and films. The day culminated in a performance of the War Requiem by young musicians, conducted by Marin Alsop - reflecting her vision to highlight the age of so many of those lost in war. This powerful project won the 2014 Royal Philharmonic Society Music Award for Learning and Participation.

In Broken Images was a weekend long festival of concerts, talks and free performances celebrating the music of Sir Harrison Birtwistle on the occasion of his 80th birthday. The festival included performances by our Resident Orchestras, London Sinfonietta and London Philharmonic Orchestra, and from soloists including pianist Pierre-Laurent Aimard.

REPORT OF THE TRUSTEE

The Simón Bolívar Symphony Orchestra of Venezuela and their rock-star status conductor Gustavo Dudamel made a triumphant return with two sold-out concerts in the Royal Festival Hall on 8 and 9 January. On the first night, the orchestra performed a repertoire of Beethoven's Symphony No 5 and music from Wagner's Ring Cycle, including the Ride of the Valkyries from Die Walküre and Siegfried's Rhine Journey from Gotterdammerung.

From 30 September – 13 October, the **London Literature Festival** explored how the printed word can change the world, and celebrated themes of freedom, justice and democracy. Key speakers included Shami Chakrabarti, discussing her book *On Liberty* with our Artistic Director Jude Kelly and highly acclaimed author Hilary Mantel reading a complete story from her new collection *The Assassination of Margaret Thatcher*.

As in previous years, we hosted the Forward Prizes for Poetry prize-giving ceremony in the Queen Elizabeth Hall (30 September), and the Man Booker Prize Readings in the Royal Festival Hall (13 October), further establishing us as the leading venue for literature prizes in the UK.

On 31 October, we were delighted to host author, filmmaker and creator of hit TV series *Girls*, Lena Dunham, as she launched her new book *Not That Kind of Girl* in the Royal Festival Hall in conversation with journalist and author Caitlin Moran.

Dance and Performance was as diverse and as exhilarating as ever. The award-winning ZooNation Dance Company returned to Southbank Centre with *Groove On Down The Road*, a dance adventure re-imagining *The Wizard of Oz*. Oliver Jeffers's *The Way Back Home* took our youngest audience members aged four and up and their friends and families on a space adventure. Lisa Dwan reprised her critically acclaimed performances of a trilogy of work by Samuel Beckett, *Rubbish* – a show for our smaller visitors aged 5 and up – provided a 'playful look at junk' and Belgian choreographer Sidi Larbi Cherkaoui performed alongside a mixture of classical and contemporary dancers in *Apocrifu*, an exploration of religious texts through the body.

James Lavelle's Meltdown brought an eclectic mix of music, multimedia, bespoke visuals and even specially designed scents, along with a sold-out performance by Neneh Cherry and a Sunday Comedown - a party for parents who remember dancing till dawn but these days are awake from dawn.

Martin Creed: What's the point of it? closed on 5 May 2014 after being extended due to popular demand. With 74,000 visitors, the exhibition significantly exceeded its attendance target. **The Human Factor: The Figure in Sculpture Now** brought together major works of 25 leading international artists who have fashioned new ways of using the human body in contemporary sculpture. The first show of its kind on this scale, *The Human Factor* focused on sculpture that explores a variety of social, political, cultural and historical concerns spanning the past 25 years.

Mirrorcity: London Artists on Fiction and Reality opened in October. The exhibition showed recent work and new commissions by key emerging and established artists working in the capital today and focused on how these artists seek to address the challenges, conditions and consequences of living in a digital age. Artists included Susan Hiller, Laure Provost, Lindsay Seers and John Stezaker. Volumes Project and Lloyd Corporation curated regular performances both in the gallery and across the wider site.

History Is Now: 7 Artists Take On Britain opened to the public in February. John Akomfrah, Simon Fujiwara, Roger Hiorns, Hannah Starkey, Richard Wentworth and Jane and Louise Wilson each curated sections of the exhibition, looking at particular periods of cultural history. The artists pursued inventive ways of exploring our recent history, spanning ideas and topics as varied as the Cold War, post-Thatcherite society, protest movements, feminism, BSE, and celebrity culture.

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REPORT OF THE TRUSTEE

We continue to extend our wide touring programme across the UK and the world, as we seek to continually open the art we experience at Southbank Centre to new and different audiences.

Southbank Centre's live presentation of **2001: A Space Odyssey** was performed by the National Symphony Orchestra in Washington DC in July 2014 and the Chicago Symphony Orchestra in March 2015.

Southbank Centre presented **Listen to the 20th Century** as part of Singapore International Festival of the Arts in September 2014 with Sian Edwards conducting London Sinfonietta and wrap around talks given by Gillian Moore, Head of Classical Music, Southbank Centre; Jonathan Cross, Professor of Musicology, Oxford University; Rana Mitter, Professor of the History and Politics of Modern China at Oxford University; and Sara Mohr-Pietsch, broadcaster and presenter for BBC Radio 3.

Southbank Centre formed a partnership with the Halle Orchestra and Bristol Music Trust to enable over 100 singers and musicians of the **Kinshasa Symphony Orchestra** to share their stories to audiences across England. The tour celebrated the power of music to transcend political, social and economic barriers and transform lives. It formed a central part of Southbank Centre's Africa Utopia Festival and resonated deeply with the festival's theme of learning how we in the West can learn from African culture.

Working with our co-producers The Egg, part of Theatre Royal Bath, we took our theatre show **The Queen's Knickers** to over thirty venues throughout the UK.

Commercial

Southbank Centre's contribution from commercial activities in 2014-15 was broadly similar to the 2013-14 level. We augmented the established operators with temporary 'pop-ups' of various kinds to ensure a diversity of offer to the many different visitors that come to Southbank Centre. Many of the units here operate at capacity at peak times with long waits for tables. Finding ways to increase provision therefore provides a more enjoyable experience for our visitors. We continue to increase the proportion of free arts programming, which draws more people to the site and increases their spend in our shops and restaurants. In turn, the income from the commercial activity makes a critical contribution to the costs of this free programme.

A new development in 2014-15 was to manage the Christmas market in-house. As a general rule we want to curate all activities on site as a whole and ensure that the commercial offer is absolutely integrated with the festival programme. The German market that has been on site in prior years did not fully reflect the overall look and feel we wanted for the Winter Festival. Lambeth Council had also told us that they would not continue to grant planning permission for the same kind of Christmas Market; the planning committee wanted to see a market more in keeping with the location that did not obstruct the River views. We combined the market with a Spiegeltent and hosted La Soiree's very successful London season. Managing the market in-house changed the business model in Southbank Centre's favour. Overall the reaction from the public and key stakeholders, including Lambeth Council, was overwhelmingly positive and we will build on this for winter 2015.

Net income from our Membership programme continued to grow, showing an impressive 26% increase from the prior year.

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

Development

Southbank Centre's Development department raises financial support for its artistic and site development programme, both revenue and capital.

Revenue

In 2014/15 the Development department achieved income of £3.2m (2013/14: £2.7m). This was split between £0.7m from the Individual Giving and Major Gifts team, £1.5m from the Corporate team, and £1m from the Trusts and Foundations team, which included £0.8m of project funding.

The net contribution to Southbank Centre's charitable activities and overheads after deducting direct expenditure (including payroll) was £2.7m (2013/14: £2.0m).

Capital

In addition to revenue, capital contributions included £0.2m to the Organ project and £0.6m to the Festival Wing project.

Combined revenue and capital income totalled £3.8m (2013/14: £6.1m).

Capital Project Developments

Festival Wing – Queen Elizabeth Hall / Purcell Room / Hayward Gallery Complex

We made a successful capital grant application at the end of 2013/14 to Arts Council England towards the repair and maintenance of the Festival Wing complex. These buildings, constructed in the 1960s, are in a desperate state of repair. The repair and maintenance project replaces worn out building services and brings them up to industry standard for international venues and contemporary artistic practice. Poor access for disabled audiences and artists is addressed, and the public spaces and visitor facilities improved. The pyramid roof of the Hayward Gallery will be replaced with a new roof, looking identical but letting natural light into the upper galleries, which the original never achieved.

The Arts Council has awarded a capital grant of £16.7m towards the £25m project. Following a successful Stage 1 bid to the Heritage Lottery Fund, a Stage 2 application was submitted in April 2015 for £4.9m, of which £4.4m relates to capital costs and £0.5m to heritage activity costs. The individual giving fundraising campaign was launched in May 2015 and applications have been made to a number of Trusts and Foundations.

Detailed planning consent for the project was granted under delegated powers by Lambeth Council on 12 February 2015. A two stage traditional procurement route for construction has been selected and BAM appointed as main contractor. The design team completed the Stage 4 design in line with the project programme in April 2015.

The master programme shows the closure of the buildings on 20 September 2015, with an initial three month enabling works package, followed by a 12 month construction period. Further time has been allowed to prove systems and resolve defects, with practical completion by May 2017. A three month construction contingency has then been allowed as well as two months 'soft landings' to test and trial run all systems, with formal reopening in September 2017. Key dates include the following:

Appoint contractor (Stage 2)	September 2015
Buildings close	September 2015
Enabling works (asbestos)	October 2015
Main contract works	January 2015
Main contract works PC	May 2017
Formal reopening	September 2017

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REPORT OF THE TRUSTEE

Future Festival Wing Developments

The Repair & Maintenance scheme will address some of the most urgent and pressing works. The aspiration remains to achieve the objectives of the original Festival Wing proposals, providing the physical infrastructure and public realm to allow us to continue to develop our hugely successful artistic programme. However, it is unlikely that funding will be available to do so in the short term and therefore an incremental approach is required.

The Southbank Centre site is split in two by the service road between the Festival Wing and the Royal Festival Hall. Access around the Festival Wing, up onto Waterloo Bridge and down to the river is tortuous. This part of the site can be gloomy and forbidding in contrast with the welcoming surroundings of the Royal Festival Hall. Future developments will include moving the service road and sorting out the public realm, adding a new public square, steps and central foyer to create a wonderful series of indoor and outdoor spaces for art and public use. A large proportion of the buildings are inaccessible or underutilised undercrofts and terraces: these were to be brought into use for art and supporting commercial activity.

The success of Southbank Centre's unique festival model and our participative approach to making and enjoying artistic and cultural experience mean that we are exceeding the capacity of the site. We do not have adequate facilities for developing our programmes for children and young people. One of our most exciting assets, the nation's Poetry Library, is hidden on the fifth floor of the Royal Festival Hall. As well as reclaiming space from underused areas of the current buildings, the necessary extra space would come from a new liner building along Waterloo Bridge. We are now reviewing the potential to achieve these objectives as a series of incremental projects over a longer period, say 10 years.

Hungerford Car Park

We have entered into a Planning Performance Agreement with the BFI and Lambeth Council to agree a joint vision for Hungerford Car Park, incorporating the proposed new BFI Film Centre and the extended Jubilee Gardens. A steering group and a joint working group of stakeholders with a land interest has been established in order to develop a solution and design options that will meet the aspirations of all parties. The Lambeth Council Strategic Panel comprises the Leader of the Council, Cabinet Members for Regeneration and Neighbourhoods, and the Chairman of the Planning Committee.

IMAX Roundabout

Transport for London (TfL) are preparing detailed proposals to develop a peninsula for access to the IMAX, replacing the existing roundabout, creating new public realm and improving pedestrian flows. This is funded as a priority project with design due to be completed in 2015, public consultation in 2016 and construction in 2017, with an 18 month construction programme. TfL's £22m scheme welcomes the redevelopment of our leasehold properties under Waterloo Bridge, which are currently used for storage. We are working on proposals for this space, based upon a cultural offer which will seek to provide new galleries and workspace for the visual arts. An artistic brief is currently being developed to provide a range of different spaces, up to 20 units which could be used for visual arts, including supporting new artists and learning and participation opportunities.

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Financial Review

Southbank Centre made a deficit of £1.8m on the unrestricted operations fund before reserves transfers.

<u>Income</u>	2015		2014	
	£'000		£'000	
Donations and sponsorship	3,243	7%	2,660	6%
Arts Council revenue grant	17,845	42%	17,170	42%
Activities for generating funds	13,066	30%	13,411	32%
Income from artistic activity	9,307	21%	8,564	20%
Interest receivable	7	0%	11	0%
Total operating income	43,468	100%	41,816	100%

Overall Southbank Centre's operating income increased by 4% compared to the previous year. Unrestricted Arts Council England revenue grant funding increased by £0.7m, whilst income from generating funds decreased by £0.3m year on year. Income from artistic activity increased by £0.7m due to particularly strong sales for Winter Festival shows and contemporary music performances. Income from donations and sponsorship increased by £0.6m due to particular success this year in securing additional project funding.

<u>Expenditure</u>	2015		2014	
	£'000		£'000	
Cost of fundraising	882	2%	923	2%
Retail and trading	5,753	13%	5,742	13%
Cost of charitable activities	38,036	84%	37,146	84%
Governance	346	1%	350	1%
Total operating expenditure	45,017	100%	44,161	100%

Operating expenditure increased by 2% compared to the previous year, principally due to inflationary increases in operating and staff costs. Retail and trading costs remained steady year on year, as did fundraising costs.

Vision

To be the world's most inspiring centre for the arts.

Mission

To draw everyone possible to this loved site and captivate them through our unique arts programme and the warmth of our welcome.

Objectives

- To offer life enriching encounters between audiences and the world's great and emerging artists in music, visual arts, dance, performance and literature.
- To enable anyone to experience the excitement of exploring their own creativity and artistry through our far-reaching programme of learning and participation.
- To welcome the world to the unrivalled visitor experience of our riverside site with its iconic buildings and history and its continuous sense of festival.
- To demonstrate successfully that commercial entrepreneurship can live happily beside the demanding requirements of art making, and profit both.

REPORT OF THE TRUSTEE

Strategies to achieve main objectives

Artistic Strategy - Success of the Festival Model

With its heritage in the 1951 Festival of Britain, Southbank Centre is the world's largest permanent festival site, with opportunities for everyone to contribute, participate and learn. Central to our work is the idea that the arts hold the key to unlocking the imagination and can be a powerful agent for individual and social change.

The 1951 Festival of Britain was a nationwide festival created to give Britons a feeling of recovery and progress following the Second World War. It was one of the great democratic, optimistic and imaginative gestures of the last century and at the heart of it was the South Bank Exhibition, situated on what is now Southbank Centre. The exhibition was an unprecedented extravaganza, filled with new art, design, science and iconic constructions, including the Royal Festival Hall.

Drawing on this heritage, Southbank Centre has evolved an approach to artistic programming based around a series of annual and one-off themed festivals, using these to set up encounters between artists and audiences across artistic platforms and to animate the site. Within this festival structure our artistic offer is wide ranging, covering contemporary and classical music, performance, dance, visual art and the spoken word. Each festival programme consists of both ticketed and free events, combining strands drawn from different art forms. The festival themes inspire the animation of the site with installations and other interventions, and also our commercial offer.

The development of the Festival Model has played a significant role in achieving our four strategic objectives: as a framework for a rich and innovative, critically acclaimed artistic programme, that reaches out to a very diverse audience, creating a welcoming destination for all and a sustainable entrepreneurial business model.

During 2014/15, progress was made in achieving a much more integrated approach to the festival curation of the site, and we will extend this in future years. A touring model has been developed for key festivals like WOW - Women of the World, with a rapidly developing national and international network of partners. In 2015, supported by generous funding from Arts Council England, Alchemy, our festival of culture connected with the Indian subcontinent, goes on tour with Black Country Touring, Cast and the Oldham Coliseum. Each organisation has led on a major part of the programme, which will be presented to the partners' local communities and will tour to all venues.

These touring models will be developed and expanded for other festivals in the coming year.

Learning and Participation

Southbank Centre's learning and participation work is directly connected to our origins in the 1951 Exhibition. Then, as now, opportunities to learn, to find out, to be astonished and thrilled, together with the chance to bump into art and ideas, was fundamental to the experience of visiting the site.

With this unique and remarkable DNA, Southbank Centre has the credentials to be an alternative educational institution for all. Our recognisable rhythm moving across the hours from early morning until late at night, our matrix of interconnecting spaces and our extraordinary 'faculty' of artists and thinkers from many disciplines make us well placed to experiment with different educational models. The spirit of architectural and design experiment that is our heritage confirms our potential as a natural learning space.

A strategic goal for the next five years is to firmly establish this new model of education that will allow people of all ages to come together to draw on Southbank Centre's festivals, programmes and collections to learn across disciplines and at all levels.

In particular, we will develop Southbank Centre's potential as a heritage and research site in the popular imagination and in popular understanding, to lead a new wave of heritage participation within the cultural sector at large. The ways that we are planning on doing this are:-

REPORT OF THE TRUSTEE

Temporary Collections Studio

Located in the Royal Festival Hall foyer, the Temporary Collections Studio, designed by Jonathan Tuckey Design, will be home to the process of organising the Southbank Centre Archive using a participatory methodology, with a long-term view to seeking accreditation from The National Archives. This will make usually hidden activities of archive management open and accessible to everyone.

Chance encounters with heritage

Opportunities for people passing through our site, or who come to our site to eat, drink or shop, to have a light touch encounters with heritage through the site-wide heritage labels, Temporary Collections Studio or free events.

Collaborative projects and a shared curatorial voice

Working in collaboration with our audiences and a wide range of partners, we will interpret and explain Southbank Centre's heritage and collections. New content will be created through a process of shared exploration in projects that are particularly targeted at young people. Opportunities for them to work alongside heritage professionals will provide a positive experience of heritage and a route to participating in other opportunities such as volunteering.

Specialist heritage focused activities

These will include archive volunteering and the chance to work with archive material, talks and debates and a temporary exhibition about the 1960s. We will work with trusted heritage partners such as English Heritage, offering lively and engaging events for audiences with an existing interest in modern heritage. To make our project sustainable, we will embed heritage activity and interpretation into Southbank Centre's ongoing education and festival programmes and train staff to feel confident working with heritage.

This inclusive approach to audience development will translate some of Southbank Centre's regular audience to heritage, bringing a younger more ethnically diverse audience than is seen at many heritage attractions.

Festival Wing - Repairs and Maintenance Project

As described in the Capital Project Developments section of this report, we will be undertaking a significant capital project over the next three years, the Festival Wing Repair and Maintenance project.

The project will secure a much more financially sustainable future for Southbank Centre. After the project is complete the major organisational risk facing Southbank Centre is removed: that is the risk of having to close the Festival Wing buildings and cancel programme due to the failure of core buildings or systems, and the resulting outcomes of financial loss, more expensive unplanned repair projects and reputational damage. We anticipate that additional income will be generated within the refurbished facilities and operating costs (e.g. utilities) reduced, which will make Southbank Centre more sustainable in the long-term.

The refurbished facilities will provide industry standard conditions for contemporary artistic practice and will be much more accessible to disabled artists and audiences.

By 2017, the external and internal condition of the Queen Elizabeth Hall, Purcell Room and Hayward Gallery will have significantly improved, creating a platform for us to manage their heritage more effectively. The repairs and restoration backlog will have been dealt with, the safe and efficient operation of the buildings and the artistic programme that they support will be secured for another generation of staff, visitors and artists. We will also have prepared our archive for accreditation by The National Archives.

REPORT OF THE TRUSTEE

Entrepreneurship and improving financial resilience

Southbank Centre has a good track record of financial performance in recent years, generating surpluses for investment in strategic priorities. Self-generated income has significantly increased, replacing the cuts in ACE grant funding and enabling the expansion of the artistic programme (particularly the free, participative elements), as well as contributing to the increased costs of operating the site. This means that the organisation takes on the Festival Wing project from a sound financial base and a sustainable business model.

Whilst part of the programme currently undertaken in the Festival Wing will be transferred to the Royal Festival Hall, and some of the classical music taken off site to St John's Smith Square during the Festival Wing project, overall we estimate that the programme will be reduced by 15% during closure. We have assessed the impact of this on the organisational cost structure and income potential. The net result is savings that will be used to boost reserves as contingency for the project and against possible future public sector spending cuts.

Improving our financial resilience in this way, through capturing these savings, is a priority during the Festival Wing closure. At the same time we have no intention of losing Southbank Centre's artistic momentum, innovation and excellence during this period.

Digital Strategy

In 2014-15, we built on the progress made during 2013-14 in improving our digital infrastructure and capabilities. We made more of our work available to a wider audience digitally. We enhanced the performance of our website and its transactional processes, making it easier to buy tickets and order other services online. We moved further towards our goal to becoming a digital workforce with the implementation of a variety of digital tools and systems to improve working efficiency.

Early this year we halted any further changes to our current website and began building the team and capability to develop our new website. Their first assignment was an exciting one - to build the website for the **Web We Want** festival, meeting Sir Tim Berners-Lee who wrote the first line of code on our new site. The team worked in a temporary 'glass box' structure at the front of the Royal Festival Hall during the festival, as an experiment to demystify and make transparent the process of web and digital development and also engage with the users of the website.

Our objectives for our new website are to:

- Be best in breed as an event ticketing website.
- Create a brand new digital space for arts and learning that fully integrates with our festivals. This will
- Explore different ways to broadcast what we do.

Alongside this we are looking at how we publish our content and we have already started to adopt open data standards to do this. This means our content will be joined up internally and externally, be more discoverable and certainly be more useable by others. We have started working with other cultural organisations on developing an open data framework for the performing arts and we will be looking for funding to assist us.

We are looking at how we develop exciting new digital education formats, taking our Learning and Participation activity online to a national and potentially international audience, and are currently developing a pilot project for this activity.

We have also been developing a new programme of digital art, content, experience and activity. There has been a material progression in terms of artistic innovation and new models of community engagement. Examples of new artistic forms include digital installations, data-driven interactions, collaborative game making, digital learning workshops, online education resources, video art and interactive projections, and hack days.

REPORT OF THE TRUSTEE

Developing audiences

Southbank Centre engages with a very large number of people, and moreover has an admirable track record of engaging with audiences that are new to the arts and with diverse audiences (whether measured by age, social background or cultural backgrounds), especially through the free programme presented as part of our festivals.

The headline number for total visits at Southbank Centre in 2014 was 6.3 million, which includes all visitors to the Royal Festival Hall, and ticket sales across all our venues (Royal Festival Hall, Queen Elizabeth Hall, Purcell Room, Hayward Gallery, Udderbelly and London Wonderground). This puts Southbank Centre at number 3 in the Association of Leading Visitor Attractions (ALVA) top 10 visitor attractions in the UK, behind the British Museum and the National Gallery.

Southbank Centre's audience development objectives are to grow the number of audiences from the following target groups and to deepen engagement with them: those not currently engaged with arts and culture, those from BAME backgrounds, children and young people, disabled audiences, those audiences from outside of London, and to make occasional visitors regular visitors.

Our audience development strategy integrates how we use the site, our approach to artistic programming and our entrepreneurship. There are four strands to this strategy:-

1. Creating a destination

We have set out to make Southbank Centre a place that offers something for everyone – whatever their age, social or cultural background or previous experience of the arts.

2. Using Festivals to target least engaged audiences

We have developed a series of festivals focused around themes that are targeted at particular audiences that are least engaged in arts and culture. For example **Alchemy**, our festival of arts and culture from the Indian sub-continent, and **Africa Utopia** are targeted at BAME audiences, **Imagine** at children and our free programming in our summer festivals at lower income groups and our local communities in Southwark and Lambeth.

3. Using Festivals to deepen engagement

We use the festivals as a route to draw people into material that would otherwise be difficult or challenging – whether topics such as death with our **Festival of Death** or repertoire such as 20th century classical music as part of the award winning **The Rest is Noise**.

4. Employ commercial entrepreneurship to attract new audiences

We work with commercial partners of all kinds that attract new audiences to Southbank Centre, where they will 'bump' into aspects of our cultural programme, such as the external installations as part of our festivals or the free events and performances, and discover more about what we do. Examples include the weekly markets, or pop up restaurants and the summer comedy, circus and cabaret festival with Udderbelly.

REPORT OF THE TRUSTEE

Public Benefit

The Governors confirm that they have referred to the information contained in the Charity Commission's general guidance on public benefit, including the guidance on public benefit and fee charging, when reviewing Southbank Centre's aims and objectives and planning future activities. Southbank Centre relies mainly on the Arts Council England revenue grant, income generated from commercial activities, fundraising and box office income to cover its operating costs. When determining ticket prices, careful consideration is given to ensuring the accessibility of Southbank Centre's artistic activity to those on low income. Southbank Centre provides a wide range of artistic activity, including non-ticketed events, to ensure everyone has the opportunity to experience events, as well as enjoying Southbank Centre's 21 acre site along the South Bank. Further details are given above under Review of the Business.

Employee Policies

The Governors recognise that Southbank Centre's success and position in the arts depends on the quality and motivation of its employees and Southbank Centre is committed to policies which attract, retain and motivate high performing employees. Good and effective communications are particularly important and it is the Governors' policy to promote the understanding by, and involvement of, all employees in Southbank Centre's aims and the performance of all its activities. This is achieved through regular internal briefings on Southbank Centre's performance and major developments.

Southbank Centre participates in the Joint Negotiating and Consultative Committee with its two trade unions, Unite (Amicus section) and PCS. Pay negotiations are conducted within this Committee.

Southbank Centre is striving to promote equality and diversity in all areas of employment including recruitment and selection, training and development, and promotion. Southbank Centre is engaged with a number of diversity initiatives and partnerships in order to achieve these aims.

Reserves Policy

The charity's reserves fall into two main categories: restricted funds which may legally be used only for the purposes specified by the donor, and unrestricted funds which are free for use for any of the purposes of the charity as set out in the governing document.

Unrestricted reserves

Within unrestricted reserves there are both general and designated reserves. Designated reserves are funds that the Governors have set aside to reflect particular intentions for the use of those funds. Unrestricted funds not designated in this way are called the General Reserve. The General Reserve is available for any charitable purposes and is not earmarked for reinvestment in any specific area.

Planned level of unrestricted reserves

The charity budgets to deliver its charitable objectives while ensuring financial stability through aiming to keep adequate, but not excessive, levels of unrestricted reserves. It makes this assessment by looking at future cash requirements and setting budgets each year which ensure adequate cash liquidity taking into account the availability of headroom on financial facilities, expected cash inflows and suitable levels of contingency. Cash reserves at 31 March 2015 were in line with the target set at the beginning of the year.

General Reserve

As at 31 March 2015 the General Reserve balance was £2.6m (2014: £2.6m) which is sufficient to cover approximately three weeks of budgeted operating expenditure excluding any income.

REPORT OF THE TRUSTEE

Designated Reserves

As at 31 March 2015 Southbank Centre held five designated reserves:

(i) Capital Reserve (£40.4m)

The purpose of this reserve is to reflect funds designated for future maintenance and capital projects, costs relating to capital projects (including interest) and depreciation on funded assets.

Income and expenditure are allocated to this reserve if they relate to capital purchases which have been funded by grants and donations whose restricted terms have been fulfilled. From time to time surpluses are also allocated to this reserve to fund future asset purchases. Southbank Centre reviews its reserve levels in order to ensure sufficient future liquidity for its plans, including capital expenditure and major capital projects, and the level of transfers to and from this reserve is budgeted to reflect this.

(ii) Revaluation Reserve (£169.4m)

This reserve reflects the balance of surplus or deficit on the revaluation of the Land and Buildings (Artistic) as per Note 7.

(iii) Hayward Gallery Prints Fund (£Nil)

Southbank Centre buys and sells prints for display in the Hayward Gallery and on touring exhibitions. Sales of prints are used to fund purchases of new prints. This fund has been set up to record separately the remaining balance of funds available to purchase prints.

(iv) Strategic Reserve (£0.3m)

This reserve has been created to support the costs of new initiatives budgeted for future years including developing digital activity.

(v) Pension Plan (-£6.5m)

This fund reflects the balance of surplus or deficit on the pension scheme and moves in line with annual valuations.

Review of the policy

The Reserves Policy is reviewed annually.

Going Concern

The financial statements have been prepared on a going concern basis.

The Governors have given due consideration to the working capital and cash flow requirements of Southbank Centre. The Governors consider Southbank Centre'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 this report and financial statements.

Southbank Centre substantially relies on funding by grants from Arts Council England for its current and future commitments, and operates on the basis that, taking one year with another, revenue will match expenditure (in the unrestricted operations fund). Arts Council England has confirmed funding for Southbank Centre to March 2018. The going concern basis used in the preparation of these financial statements is based upon the expectation that Southbank Centre will continue to receive sufficient support from the Arts Council England to match its expenditure with the total revenue it raises.

Southbank Centre will also rely on the £16.7m Arts Council England capital grant, together with other capital fundraising, to meet its existing and future capital commitments on the Festival Wing project.

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

The current deficit of £6.5m on the Pension Plan as at 31 March 2015 represents an increase of £2.8m on the deficit shown at the previous year end. The increase in the deficit reflects the overall effect of actuarial losses combined with contributions paid. The Governors and Pension Plan Trustees will continue to work towards closing this deficit and it is anticipated this will not require additional resources over and above those already budgeted. The Governors therefore conclude that no designation is necessary of funds held at the balance sheet date to meet future contributions.

Having taken all of these factors into account, the Board of Governors has a reasonable expectation that Southbank Centre has adequate resources to continue operating for the foreseeable future and, for this reason, has continued to adopt the going concern basis for preparation of the financial statements.

Funding Agreement

Southbank Centre is subject to Arts Council England's normal monitoring arrangements and annual reviews. Southbank Centre operates under an annual Funding Agreement with Arts Council England, the terms of which require Southbank Centre to provide regular financial and non-financial data to Arts Council England for monitoring Southbank Centre's artistic activities, commercial progress and financial position. The reports provided include detailed annual budgets, monthly management accounts, and all papers circulated for the meetings of the Board, including the minutes of meetings of the Audit and Risk Committee. Arts Council England also receives copies of all advance publicity material for events at Southbank Centre and is invited to attend Southbank Centre's board meetings.

The year ended 31 March 2015 represents the final year of the current three-year funding cycle from Arts Council England. In July 2014 Southbank Centre was awarded a three-year National Portfolio funding agreement from Arts Council England for the period 2015-2018. This new funding agreement has now been finalised and signed by both parties.

Risk Management

The Governors regularly examine the major strategic, business and operational risks which the charity faces, identifying the potential impact if an individual risk materialises, and what mitigating action is to be taken in order to reduce each risk to a level which the Governors consider to be acceptable. Twice annually, Governors review the risk register prepared by management to ensure that it is comprehensive and to assess actions to mitigate those risks. From the perspective of the environment in which the charity operates, the major risk is the continued likelihood of further cuts in public sector funding.

The following are the major risks identified that are specific to Southbank Centre:

- Previously, the most significant risk to the charity was the failure of the ageing buildings, infrastructure and building services in the Queen Elizabeth Hall, Purcell Room and Hayward Gallery. With the closure of these buildings for major refurbishment and repair in September 2015, that risk has been replaced with the risks associated with a major capital project of this kind: costs increasing beyond the budget, a shortfall in funds raised, and the disruption to business operations with the closure of a significant part of the site for two years.
- Although the risk of IT or other business infrastructure failure has diminished during the year with upgrade and replacement work, it remains a risk.
- Major disaster causing significant infrastructure damage and loss of business.
- A sustained social media campaign directed against Southbank Centre, whether event driven or motivated for other reasons

As part of Southbank Centre's risk mitigation strategy the organisation entered into an interest rate swap arrangement in January 2008. Based on Southbank Centre's level of floating rate debt at the time of the arrangement (£16.7m), this provides greater certainty to the organisation over liabilities going forward. The rate agreed was 5.07% for 19 years with a 25% cancellation clause after seven years at the option of Southbank Centre. This option was taken up in April 2015 and the swap notional balance was reduced by 25%.

REPORT OF THE TRUSTEE

Internal Financial Control

The Board of Governors has overall responsibility for Southbank Centre's system of internal financial control. The Governors have delegated their monitoring role to the Board's Audit and Risk Committee, whose members are all non-executive, but continue to review the minutes of that Committee's meetings. It reviews the effectiveness of Southbank Centre's internal financial control environment and receives reports from the external and internal auditors on a regular basis. Both auditors have the right to call a meeting of the Committee and both have direct access to its Chairman.

The Governors have delegated implementation of the system of internal financial control at Southbank Centre to Executive Management. The system is based on a framework of regular management information, financial regulations, administrative procedures for segregation of duties, and a system of delegation and accountability, including:

- comprehensive annual budgets
- monthly results reported against budget, and with year-end forecasts prepared on a regular basis
- targets set to measure financial and other performance
- clearly defined capital expenditure control guidelines.

Internal audit work is completed in line with an analysis of the risks to which Southbank Centre is exposed. Internal audit plans are endorsed by the Audit and Risk Committee, which receives regular reports on internal audit activity.

The Governors believe that Southbank Centre's system of internal financial control provides reasonable, but not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. The Audit and Risk Committee has monitored the operation and effectiveness of the system of internal financial control during the financial year ended 31 March 2015 through regular reports from Executive Management, reports from the internal auditor and comments made in the annual management letter from the external auditors.

Annual audit

The annual audit of Southbank Centre is carried out by PricewaterhouseCoopers LLP, who express an audit opinion on the Southbank Centre's financial statements prior to them being laid before Parliament, along with their opinion and report.

In so far as the Governors are aware:

- there is no relevant audit information of which the charity's auditor is unaware: and
- they have taken all steps that they ought to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

In line with current best practice, we will conduct a retender process for audit services later in 2015.

Political and Charitable Donations

During the year Southbank Centre did not make any donations to political parties or charities.

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

Insurances

During the year Southbank Centre maintained liability insurance cover for the Governors of the Board, for the Trustees of the South Bank Centre Retirement Plan, for the Executive Directors and for the in-house solicitor, against the consequences of neglect or fault on their part in performance of their respective duties and functions. Southbank Centre also held insurance cover for the operation of its commercial vehicles, business travel and, when required, for works of art on loan from third parties. Public Liability insurance is also held for activities taking place or connected with the Queen Elizabeth Hall undercroft. Apart from these insurances, Southbank Centre is self-insured by Treasury (as confirmed by an agreement with the Department for Culture, Media and Sport).

By Order of the Board



Rick Haythornthwaite
Chairman
Southbank Centre Limited
as Trustee for Southbank Centre

2 July 2015

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

Southank Centre Limited, as sole corporate trustee of Southbank Centre is responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and regulations.

The law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each financial year. Under that law the Trustee has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the Trustee must not approve the financial statements unless the Trustee is satisfied that they give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the Trustee is required to:

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

The Trustee is responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable the Trustee to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. The Trustee is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF SOUTHBANK CENTRE

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2015 and of the group's and parent charity's incoming resources and application of resources and the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

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

What we have audited

The group financial statements and the parent financial statements ("the financial statements"), which are prepared by the Southbank Centre, comprise:

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

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

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

What an audit of financial statements involves

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

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

In addition, we read all the financial and non-financial information in the Report of the Trustee (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.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF SOUTHBANK CENTRE

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

Under the Charities Act 2011 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
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns;

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Report of the Trustee is inconsistent in any material respect with the financial statements.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Statement of Trustee's Responsibilities set out on page 20, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the charity's trustee as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 July 2015

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011

SOUTHBANK CENTRE
GROUP OPERATING STATEMENT
Year ended 31 March 2015

	2015 £'000	2014 £'000
INCOME		
Donations and sponsorships	3,243	2,660
Arts Council revenue grant	17,845	17,170
Activities for generating funds	13,066	13,411
Income from artistic activity	9,307	8,564
Interest receivable	7	11
Total operating income	43,468	41,816
EXPENDITURE		
Costs of fundraising	882	923
Retail and trading	5,753	5,742
Costs of charitable activities	38,036	37,146
Governance	346	350
Total operating expenditure	45,017	44,161
TRANSFERS		
Use of restricted project funds	(293)	24
Transfer to general reserves	1,842	2,321
OPERATING SURPLUS	-	-
RECONCILIATION TO STATEMENT OF FINANCIAL ACTIVITIES		
Operating Surplus	-	-
Income for Restricted Capital	2,600	5,969
Income for Designated Funds	774	596
Total resources expended - Designated Funds	(5,483)	(7,171)
Use of restricted reserves	293	(24)
Transfer to general reserves	(1,842)	(2,321)
Net outgoing resources before other recognised gains and losses	(3,658)	(2,951)

Note The Operating Statement combines Southbank Centre's Unrestricted Operations income and expenditure with short term restricted project revenue income and expenditure funded by earmarked donations to reflect Southbank Centre's operating activity undertaken in the year.

Costs of fundraising include £535,000 of costs directly attributable to the Development team, and £347,000 of administrative and support costs allocated to fundraising in accordance with the requirements of Statement of Recommended Practice 'Accounting and Reporting by Charities'.

SOUTHBANK CENTRE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 March 2015

	Note	Unrestricted funds		Restricted funds		Total funds	
		Operations	Designated	Projects	Capital	2015	2014
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Incoming resources from generated funds							
<i>Voluntary income</i>							
Donations and sponsorship		2,003	-	1,240	-	3,243	2,660
Arts Council grant		17,601	-	244	2,000	19,845	19,749
Funding for assets under construction		-	-	-	600	600	3,390
<i>Activities for generating funds</i>	3	13,066	-	-	-	13,066	13,411
<i>Interest receivable</i>	9	7	-	-	-	7	11
		<u>32,677</u>	<u>-</u>	<u>1,484</u>	<u>2,600</u>	<u>36,761</u>	<u>39,221</u>
Incoming resources from charitable activities							
Artistic activity	3	9,307	774	-	-	10,081	9,160
Total incoming resources		<u>41,984</u>	<u>774</u>	<u>1,484</u>	<u>2,600</u>	<u>46,842</u>	<u>48,381</u>
RESOURCES EXPENDED							
Costs of generating funds							
Costs of fundraising	5	882	27	-	-	909	1,202
Retail and trading	5	5,753	458	-	-	6,211	6,190
		<u>6,635</u>	<u>485</u>	<u>-</u>	<u>-</u>	<u>7,120</u>	<u>7,392</u>
Charitable activities							
Artistic activity	5	36,845	4,918	1,191	-	42,954	42,120
Construction and refurbishment	5	-	80	-	-	80	1,470
		<u>36,845</u>	<u>4,998</u>	<u>1,191</u>	<u>-</u>	<u>43,034</u>	<u>43,590</u>
Governance costs	5	346	-	-	-	346	350
Total resources expended	5	<u>43,826</u>	<u>5,483</u>	<u>1,191</u>	<u>-</u>	<u>50,500</u>	<u>51,332</u>
Net (outgoing)/incoming resources before transfers	2	<u>(1,842)</u>	<u>(4,709)</u>	<u>293</u>	<u>2,600</u>	<u>(3,658)</u>	<u>(2,951)</u>
Transfers	14	1,842	758	-	(2,600)	-	-
Net (outgoing)/incoming resources before other recognised gains and losses		<u>-</u>	<u>(3,951)</u>	<u>293</u>	<u>-</u>	<u>(3,658)</u>	<u>(2,951)</u>
Other recognised gains and losses							
Actuarial losses on defined benefit pension schemes	17	-	(3,577)	-	-	(3,577)	(162)
Net movement in funds		<u>-</u>	<u>(7,528)</u>	<u>293</u>	<u>-</u>	<u>(7,235)</u>	<u>(3,113)</u>
RECONCILIATION OF FUNDS							
Net movement in funds		-	(7,528)	293	-	(7,235)	(3,113)
Fund balances brought forward at 1 April	14	2,582	211,172	102	-	213,856	216,969
Total funds carried forward at 31 March	14	<u>2,582</u>	<u>203,644</u>	<u>395</u>	<u>-</u>	<u>206,621</u>	<u>213,856</u>

All of the above results are derived from continuing activities

This statement incorporates the Statement of Total Realised Gains and Losses required by FRS 3 for the financial years stated above

The Movements on Reserves are also described in note 14

The notes on pages 29 to 46 form part of these financial statements

There is no material difference between the net (outgoing)/incoming resources before transfers for the financial years stated above and their historical cost equivalents

Southbank Centre's (excluding Southbank Centre Enterprises Limited) gross income for the year was £43,575k (2014 gross income: £46,437k)
Southbank Centre's (excluding Southbank Centre Enterprises Limited) net expenditure for the year was £4,960k (2014 net expenditure: £2,951k)

SOUTHBANK CENTRE

BALANCE SHEETS

As at 31 March 2015

	Notes	Group		Charity	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Fixed assets					
Tangible assets	7	234,543	238,202	234,543	238,202
Current assets					
Stocks of consumables and goods held for resale		361	291	205	150
Debtors - due within one year	10	4,216	4,230	3,369	5,124
Cash at bank and in hand					
Cash held in other accounts		2,144	3,525	1,608	2,649
Total current assets		6,721	8,046	5,183	7,923
Current liabilities					
Creditors: amounts falling due within one year	11	(12,739)	(12,456)	(12,524)	(12,350)
Total current liabilities		(12,739)	(12,456)	(12,524)	(12,350)
Net current liabilities		(6,018)	(4,410)	(7,341)	(4,427)
Total assets less current liabilities		228,525	233,792	227,202	233,775
Creditors: amounts falling due after one year	13	(15,453)	(16,288)	(15,432)	(16,271)
Net assets excluding pension liability		213,072	217,504	211,770	217,504
Defined benefit pension liability	17	(6,451)	(3,648)	(6,451)	(3,648)
Net assets including pension liability		206,621	213,856	205,319	213,856
The funds of the charity					
Unrestricted income funds					
General reserves	14	2,582	2,582	1,280	2,582
Designated funds	14	210,095	214,820	210,095	214,820
Pension reserve	14 & 17	(6,451)	(3,648)	(6,451)	(3,648)
Total designated funds		203,644	211,172	203,644	211,172
Total unrestricted income funds	14	206,226	213,754	204,924	213,754
Restricted income funds					
Projects fund	14	395	102	395	102
Restricted capital reserve	14	-	-	-	-
Total restricted income funds	14	395	102	395	102
Total charity funds	14	206,621	213,856	205,319	213,856

The notes on pages 29 to 46 form part of these financial statements

The financial statements on pages 25 to 46 were approved by the Board of trustees on 2 July 2015 and signed on its behalf by



Rick Haythornthwaite
Chairman

SOUTHBANK CENTRE

CONSOLIDATED CASH FLOW STATEMENT (AND SUPPORTING ANALYSIS)

Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
CASH FLOW STATEMENT			
Net cash inflow from operating activities		2,330	3,620
Returns on investment and servicing of finance			
Interest received	9	7	11
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	(3,341)	(4,954)
Net cash outflow before financing		<u>(1,004)</u>	<u>(1,323)</u>
Financing			
Loan repayments		<u>(377)</u>	<u>(332)</u>
Decrease in cash balances		<u>(1,381)</u>	<u>(1,655)</u>

RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATIONS

Net outgoing resources before transfers		(3,658)	(2,951)
Interest received		(7)	(11)
Depreciation charge	7	7,000	6,747
(Increase)/decrease in stock		(70)	92
Decrease/(increase) in debtors	10	14	(337)
(Decrease)/increase in creditors		(175)	676
FRS17 movements		<u>(774)</u>	<u>(596)</u>
Net cash inflow from operating activities		<u>2,330</u>	<u>3,620</u>

ANALYSIS OF MOVEMENT IN NET DEBT

	Balance as at 1 April 2014 £'000	Movement in the year £'000	Balance as at 31 March 2015 £'000
Cash in hand and at bank	3,525	(1,381)	2,144
Debt due within one year	(377)	(107)	(484)
Debt due after more than one year	<u>(15,118)</u>	<u>484</u>	<u>(14,634)</u>
	(15,495)	377	(15,118)
Total	<u>(11,970)</u>	<u>(1,004)</u>	<u>(12,974)</u>

ANALYSIS OF CHANGES IN CASH DURING THE YEAR

	2015 £'000	2014 £'000
Opening balance	3,525	5,180
Net cash outflow	<u>(1,381)</u>	<u>(1,655)</u>
Closing balance	<u>2,144</u>	<u>3,525</u>

1 STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies have been applied consistently in dealing with items which are considered material in relation to Southbank Centre's Financial Statements.

a) *Basis of preparation*

The Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, with the applicable requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP), issued in March 2005, the Charities Act 2011, and under the historical cost accounting rules, as modified to include the revaluation of land and buildings. Southbank Centre's income and expenditure transactions in furtherance of its charitable objects are recorded and reported through its operations fund, which is an unrestricted general fund. The Board has additionally set aside reserves for future capital and artistic projects, in unrestricted designated funds. Further details are given in note 14 to the financial statements.

The financial statements are drawn up on the going concern basis which assumes Southbank Centre will continue in operational existence for the foreseeable future. The Board have given due consideration to the working capital and cash flow requirements of Southbank Centre. The Board consider Southbank Centre'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.

Southbank Centre substantially relies on funding by grants from Arts Council England for its current and future commitments, and operates on the basis that, taking one year with another, revenue will match expenditure (in the unrestricted operations fund). Arts Council England has confirmed funding for Southbank Centre to March 2018. The going concern basis used in the preparation of these financial statements is based upon the expectation that Southbank Centre will continue to receive sufficient support from the Arts Council England to match its expenditure with the total revenue it raises.

b) *Group financial statements*

In October 2004, the Charity Commission issued a uniting direction for Southbank Centre (Charity No. 298909) and the South Bank Foundation Limited (Charity No. 1054105) made under s.96(6) of the Charities 1993 Act. It is purely an administrative and accounting linkage. The subsidiary South Bank Foundation Limited has been transferred to the registration number of the main charity Southbank Centre and its old registration removed.

A wholly owned subsidiary, Southbank Centre Enterprises Limited, was established in April 2007 to undertake certain commercial activities on behalf of Southbank Centre. The results of Southbank Centre Enterprises Limited are consolidated with the financial statements for Southbank Centre. In accordance with paragraph 397 of the SORP, a separate Statement of Financial Activities for Southbank Centre is not shown. See note 18 for details on the results of Southbank Centre Enterprises Limited.

Uniform accounting policies are used across the group, and intra-group transactions are eliminated on consolidation.

c) *Income recognition*

All incoming resources are recognised in the Statement of Financial Activities when the Group is legally entitled to the income and the amount can be quantified with reasonable accuracy and certainty.

The following specific policies apply:

Donations and sponsorship are included as incoming resources when they are receivable, provided that there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the pre-condition has been met.

1 STATEMENT OF ACCOUNTING POLICIES

c) *Income recognition (continued)*

The grant received from Arts Council England is recognised within incoming resources in the period to which it relates. Any grants received in advance of entitlement are deferred and included within creditors.

Funding for assets under construction is credited to incoming resources when receivable.

Activities for generating funds comprises income from trading activities, fundraising, and other income. This income is recognised on a receivable basis.

Income classified as 'Artistic activity' which relates to performance and specific deliverables is recognised when the Charity earns the right to consideration by its performance. Where income is received in advance of entitlement its recognition is deferred and included in creditors. Where entitlement occurs before income is received, the income is accrued.

d) *Expenditure and resources expended*

As with income, expenditure is recognised in the financial year of the particular activity to which it relates. Resources expended are included in the Statement of Financial Activities on an accruals basis, and are 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 using an appropriate basis. Cost allocation includes an element of judgement and consideration has been given to the cost benefit of detailed calculations and record keeping.

Costs of fundraising are those incurred by the Development department in raising funds for the purposes of the charity.

Retail and trading costs are those incurred in the running of commercial activities on the site.

Construction and refurbishment costs are those related to building projects.

Governance costs comprise those incurred as a result of constitutional and statutory requirements. A breakdown of these costs is included in Note 6 - Allocation of Support Costs

e) *Fixed assets and depreciation*

- i) The Royal Festival Hall, Queen Elizabeth Hall and Purcell Room and the Hayward Gallery are stated in the balance sheet at Depreciated Replacement Cost (DRC) in the absence of suitable open market comparators. All other land and buildings have been stated at cost. A DRC valuation requires:

- an estimate of the open market value of the land for its existing use;
- an estimate of the replacement cost of the buildings; and
- deductions to allow for age, condition and any functional obsolescence.

A DRC assessment of land and buildings was made as at 31 March 2013. It is assumed that existing use continues, including the long lease granted to the British Film Institute in respect of the National Film Theatre.

Depreciation is provided on the properties at rates calculated to write off the revalued amounts over the estimated useful lives of the major buildings. These were revised as part of the DRC assessment as being 46 years for the Royal Festival Hall, 28 years for the Queen Elizabeth Hall and 41 years for the Hayward Gallery. New additions since 1 April 2009 have been written off over the useful life of the building to which that addition relates. Site development costs are capitalised and depreciated over 10 years, their expected period of economic benefit. Expenditure on maintenance of the properties is charged to the Statement of Financial Activities in the year in which it is incurred.

Depreciation on lease premiums is charged over the length of the lease.

1 STATEMENT OF ACCOUNTING POLICIES

e) *Fixed assets and depreciation (continued)*

- ii) Depreciation is provided on all other tangible fixed assets acquired since 1 April 1986 at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. The expected useful life is reviewed on an annual basis along with the residual value of assets. The expected useful life for Fixtures and Fittings is 10 years, for Plant and Machinery 4 years and for Motor Vehicles 8 years. Individual items costing under £1,000 are not capitalised unless they form part of a bulk purchase costing over £1,000 in aggregate and can be monitored.
- iii) Assets in the course of construction are held at cost and are not depreciated.
- iv) The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. There have been no such events during the year and therefore no impairment.

f) *Heritage Assets*

Southbank Centre maintains the following types of heritage assets:

- The Southbank Centre Collection of artwork and sculptures that have been gifted to Southbank Centre.
- The Southbank Centre Archive which aims to collect, manage and preserve information, documents and artefacts relating to events and exhibitions held in the performing arts and public spaces of Southbank Centre.
- The Saison Poetry Library which houses The Arts Council Poetry Collection, the most comprehensive and accessible collection of modern poetry in Britain.

Acquisitions to Southbank Centre's heritage assets are made by donations or purchase. Southbank Centre may occasionally dispose of assets from its collections if the Trustee believes this is in the best interest of Southbank Centre and this is not deemed to compromise the integrity of the collections.

The Trustee believes that given the incomparable nature of Southbank Centre's heritage assets even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by Southbank Centre and users of the financial statements. As a result, Southbank Centre does not recognise these items on the Balance Sheet, other than recent acquisitions of artwork and sculptures for the Southbank Centre Collection. Recent acquisitions of artworks and sculptures greater than £1,000 are recorded at cost if acquired, or at Southbank Centre's best estimate of fair value if donated to Southbank Centre. Purchases under £1,000 and costs associated with renovating and maintaining Southbank Centre's archive, poetry library and other heritage assets are recognised in the Statement of Financial Activities in the period they are incurred.

g) *Stocks*

Stocks are stated at the lower of cost and net realisable value and comprise catalogues and other goods held for resale. 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 net realisable value.

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

h) *Leases*

- i) Where Southbank Centre 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 retail unit or similar 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.

1 STATEMENT OF ACCOUNTING POLICIES

i) *Pensions*

Southbank Centre contributes to a pension scheme through the South Bank Centre Retirement Plan (the Pension Plan), in which there are defined benefit and defined contribution sections. The Pension Plan's assets are held separately from those of Southbank Centre in an independently administered trust fund. Southbank Centre is complying with the reporting requirements of FRS 17 *Retirement Benefits*, in relation to the Pension Plan's defined benefit section, and the deficit is treated as an unrestricted fund. For the defined contribution section, the cost to Southbank Centre is the contributions accrued during the year.

For the defined benefit section the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in 'Other recognised gains and losses'.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

j) *Foreign currencies*

Transactions in foreign currencies are translated at the exchange rate at the transaction date. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange at the balance sheet date. All differences are recognised in the Statement of Financial Activities.

k) *Derivative financial instruments*

Southbank Centre uses derivative financial instruments to reduce exposure to interest rate movements. Southbank Centre does not hold or issue derivative financial instruments for speculative purposes.

Interest differentials under interest rate swaps are recognised by adjusting the new interest payable over the periods of the contracts.

Southbank Centre has not adopted FRS 26 *Financial Instruments: Recognition and Measurement*.

l) *Funds*

Unrestricted funds are those funds which can be used for any charitable purpose. Within unrestricted funds are designated funds which are those funds which have been set aside by the Governors for a particular purpose. Restricted funds may only be used in accordance with the specific wishes of donors.

At year-end the levels of funds are reviewed and transfers are made between funds to reflect where donor requirements on restricted funds utilised for capital purchases have been met, and a change in the level of designated funds is deemed appropriate.

m) *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.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

2 NET (OUTGOING) / INCOMING RESOURCES

	2015 £'000	2014 £'000
Net (outgoing) / incoming resources are stated after charging:		
Leasing of land and buildings	110	110
Depreciation charge on assets wholly owned by Southbank Centre	7,000	6,747
Auditors' remuneration for audit services (Southbank Centre)	54	56
Auditors' remuneration for audit services (Enterprises)	5	5
Liability insurance for Governors and employees	9	9
Losses on foreign exchange differences	8	8

3 ACTIVITIES FOR GENERATING FUNDS AND INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<i>Activities for generating funds - retail and trading</i>				
Retail and catalogue sales	1,555	1,888	441	539
Concessions and car parking	7,696	7,917	5,738	5,867
Hall and space rentals	1,388	1,533	-	-
Memberships and subscriptions	878	808	878	808
Other income	1,549	1,265	17	32
	<u>13,066</u>	<u>13,411</u>	<u>7,074</u>	<u>7,246</u>
<i>Incoming resources from charitable activities - artistic activity</i>				
Own promotions	5,897	5,735	5,784	5,735
Artistic rentals	2,139	1,742	2,139	1,742
Other income	2,045	1,683	2,045	1,683
	<u>10,081</u>	<u>9,160</u>	<u>9,968</u>	<u>9,160</u>

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

4 STAFF COSTS

	Total	
	2015	2014
	£'000	£'000
Employee costs amounted to:		
Wages and salaries	14,975	13,999
Social security costs	1,378	1,330
Pension costs	882	897
	<u>17,235</u>	<u>16,226</u>

Employee costs relate to the consolidated activities of Southbank Centre, including its subsidiary undertakings.

The Governors (Chairman and Board members) are not remunerated for their services and Governors received £nil (2014: £nil) in reimbursement of travelling and subsistence expenses.

Monthly average full time equivalent employees were:

	2015	2014
	No.	No.
Operational services	58	56
Marketing	32	33
Press & Communications	11	11
Visitor Experience	128	118
Retail Sales and Space Rental	22	23
Fundraising	15	14
Performing arts	76	67
Hayward Gallery	52	47
Management and administration	61	58
Site Project Team	2	6
	<u>457</u>	<u>433</u>

Higher paid employees received emoluments, including redundancy payments but excluding pension costs, within the following bands:

	2015	2014
	No.	No.
£60,000 - £69,999	5	4
£70,000 - £79,999	3	8
£80,000 - £89,999	4	3
£90,000 - £99,999	1	1
£130,000 - £139,999	-	1
£140,000 - £149,999	1	1
£150,000 - £159,999	1	-
£230,000 - £239,999	1	1
	<u>16</u>	<u>19</u>

Of these 16 employees, Southbank Centre paid pension contributions of £56,985 (2014: £66,696) for 10 employees (2014: 11 employees) who were members of the defined contribution section of the pension scheme. Southbank Centre also paid contributions for 3 employees (2014: 4 employees) who were members of the defined benefit section of the pension scheme and £3,795 for 1 employee (2014: 1 employee) who was a member of a personal pension plan. £992 was paid for 4 members of the auto-enrolment pension scheme.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

5 TOTAL RESOURCES EXPENDED

Group	Direct costs	Support costs	Total	
	£'000	£'000	2015 £'000	2014 £'000
Costs of generating funds				
Costs of fundraising	535	374	909	1,202
Retail and trading	2,998	3,213	6,211	6,190
Costs of charitable activities				
Artistic activity	15,206	27,748	42,954	42,120
Construction and refurbishment	80	-	80	1,470
Governance costs	124	222	346	350
	<u>18,943</u>	<u>31,557</u>	<u>50,500</u>	<u>51,332</u>

6 ALLOCATION OF SUPPORT COSTS

Group	Management and Administration	Marketing and Communications	Human Resources	Operations	Depreciation and disposals	Total	
	£'000	£'000	£'000	£'000	£'000	2015 £'000	2014 £'000
Costs of generating funds							
Costs of fundraising	113	98	50	79	34	374	393
Retail and trading	636	548	77	1,359	593	3,213	3,223
Costs of charitable activities							
Artistic activity	3,224	2,780	769	14,602	6,373	27,748	27,526
Governance	222	-	-	-	-	222	225
TOTAL Support costs	<u>4,195</u>	<u>3,426</u>	<u>896</u>	<u>16,040</u>	<u>7,000</u>	<u>31,557</u>	<u>31,367</u>

Support costs have been allocated to the charity's activities as follows:

Support Costs	Allocation basis
Management and Administration	Direct spend on those activities
Marketing and Communications	Direct spend on those activities
Human Resources	Headcount
Operations	Floor area
Depreciation	Floor area
Governance	Estimated time spent on governance activities

Costs classified as governance relate to the general running of the charity and included operations of the Board of Governors and addressing constitutional, audit and other statutory matters, and are made up of the following:

	2015 £'000	2014 £'000
Internal audit	56	55
External audit	60	61
Governors' indemnity insurance	9	9
Apportionment of staff costs	<u>222</u>	<u>225</u>
	<u>346</u>	<u>350</u>

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

7 TANGIBLE ASSETS

Group and charity	Land and Buildings (Artistic) £'000	Land and Buildings (Other) £'000	Assets under Construction £'000	Fixtures and Fittings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
<i>Cost</i>							
At 1 April 2014	210,747	27,110	6,239	6,904	7,525	315	258,840
Additions	-	26	1,853	556	906	-	3,341
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(85)	(85)
At 31 March 2015	210,747	27,136	8,092	7,460	8,431	230	262,096
<i>Accumulated depreciation</i>							
At 1 April 2014	4,973	5,653	-	3,905	5,908	199	20,638
Charge in year	4,973	638	-	612	759	18	7,000
On disposals	-	-	-	-	-	(85)	(85)
At 31 March 2015	9,946	6,291	-	4,517	6,667	132	27,553
<i>Net Book Value</i>							
At 31 March 2015	200,801	20,845	8,092	2,943	1,764	98	234,543
At 31 March 2014	205,774	21,457	6,239	2,999	1,617	116	238,202

Land and buildings comprise Southbank Centre's three concert halls, the Hayward Gallery, the extension building, the Waterloo Undercroft, Jubilee Gardens and the National Film Theatre, the last of which is occupied by the British Film Institute on an underlease. The freehold interest in these properties, with the exception of the Waterloo Undercroft, is vested in Arts Council England. A lease of 150 years on these properties was granted to Southbank Centre Limited by Arts Council England commencing on 1 April 1988 and the amount shown for land and buildings represents Southbank Centre's interest. Under the terms of the lease there are constraints on the transfer of the properties and, therefore, the value stated above cannot be realised for the benefit of Southbank Centre. Southbank Centre is responsible for maintaining the properties and keeping them in good repair. The open market value of the land has been assessed at a nominal value, given the constraints on its permitted existing use. The value to Southbank Centre of its interest in the National Film Theatre has been assessed at nil, given the long underlease to which it is subject. A peppercorn rent is payable on the lease from Arts Council England to Southbank Centre and on the underlease from Southbank Centre to the British Film Institute. The lease on the Waterloo Undercroft is for 150 years, expiring on 26 February 2148, and was partly financed by lottery funds of £937,500 from Arts Council England. In the event that the property is disposed of before that date Southbank Centre will have to repay a proportion of the lottery funds.

The leasehold interest in Southbank Centre vested in Southbank Centre Limited having approximately 125 years unexpired at an annual ground rent of a peppercorn was valued on a Depreciated Replacement Cost (DRC) basis as at 31 March 2013 using figures provided by an external RICS Registered Valuer from the Valuation Office Agency. The DRC valuation was £210.7m compared to a net book value immediately prior to the valuation of £247.8m, and the deficit of £37m on revaluation was debited to the revaluation reserve. The previous valuation was carried out as at 31 March 2008.

The extension building for the Royal Festival Hall was completed in March 2006. It provides office space for staff, technical facilities and retail and catering outlets. It was funded by means of a £4m award from the London Development Agency supplemented by a bank loan from AIB Group (UK) plc which has taken a charge over the building.

A charge has been taken out by each of Arts Council England and Heritage Lottery Fund over the Royal Festival Hall as security for their contributions towards the refurbishment of the Royal Festival Hall. Arts Council England also has a fixed and floating charge over all assets of the charity other than those identified above.

Expenditure is being incurred on a number of public realm projects which are treated as assets in the course of construction with all expenditure capitalised during the construction phase.

8 HERITAGE ASSETS

The Southbank Centre Collection

The Southbank Centre Collection consists of approximately 30 sculptures and 80 drawings or prints that have been gifted to SC. 90% of the collection in 2004 was valued at approximately £200,000. This collection has been built up over the last sixty years and no assets were acquired or disposed of over the last five years.

Southbank Centre aims to have the majority of the collection on display to the public around its site.

The Southbank Centre Archive

Southbank Centre Archive aims to collect, manage and preserve information, documents and artefacts relating to events and exhibitions held in the performing arts and public spaces of Southbank Centre. The Archive includes print material (programmes, leaflets and festival brochures), photographs, recordings of performances and events, general ephemera (tickets, gifts, promotional items, objects and artefacts), written or recorded memories, letters or postcards describing visits, employment or other experiences of the site. The archive is maintained by Southbank Centre's Archivist.

Southbank Centre has begun a process of strategic development for the Archive's future organisation and access. To enable the next stage of this plan to be carried out the Archive is currently closed to public enquiries.

Poetry Library

The Saison Poetry Library houses the Arts Council poetry collection. The collection, dating from about 1914, consists mostly of poetry from the United Kingdom and Ireland, a large selection from English-speaking countries worldwide, poetry in translation, poetry by and for children, rap and concrete poetry. Audio and video facilities are available in addition to a large variety of magazines, press cuttings and ephemera.

The library contains over 100,000 items and is growing all the time. The library aims to hold all poetry titles published in the UK with a representation of works from other countries.

The library is funded by the ongoing support of Arts Council England.

Membership is free and the library is open daily (except Mondays) from 11am to 8pm

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

9 INTEREST RECEIVABLE

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Interest receivable on bank deposits	7	11	6	8
	<u>7</u>	<u>11</u>	<u>6</u>	<u>8</u>

10 DEBTORS

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade debtors	1,080	1,004	493	546
Amounts owed by group undertakings	-	-	3	1,728
Other debtors	1,179	1,358	1,169	1,283
Prepayments and accrued income	1,957	1,868	1,705	1,567
	<u>4,216</u>	<u>4,230</u>	<u>3,369</u>	<u>5,124</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank loans and overdrafts	484	377	484	377
Trade creditors	4,237	2,529	4,237	2,529
Amounts owed to group undertakings	-	-	-	145
Advanced ticket sales	2,748	3,101	2,748	3,101
Accruals & Deferred income	5,270	6,449	5,055	6,198
Total creditors due within one year	<u>12,739</u>	<u>12,456</u>	<u>12,524</u>	<u>12,350</u>

Deferred income comprises cash received for which the related service, project or expenditure occurs in a future financial year.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

12 DEFERRED INCOME

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Deferred income brought forward	3,227	3,655	2,987	3,293
Released in the year	(6,620)	(2,612)	(6,379)	(2,248)
Deferred in the year	5,863	2,184	5,848	1,942
Deferred income carried forward	<u>2,470</u>	<u>3,227</u>	<u>2,456</u>	<u>2,987</u>

13 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Charity	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank loans and overdrafts	14,634	15,118	14,634	15,118
Deferred income	819	1,170	798	1,153
	<u>15,453</u>	<u>16,288</u>	<u>15,432</u>	<u>16,271</u>

The maturity of loans and obligations (including loans due within one year) is as follows:

	2015	2014	2015	2014
Within one year	484	377	484	377
Within two to five years	2,260	2,133	2,260	2,133
After five years	12,374	12,985	12,374	12,985
	<u>15,118</u>	<u>15,495</u>	<u>15,118</u>	<u>15,495</u>

The loans consist of the following facilities:

- A term loan of £15.1m provided by AIB Group (UK) plc which is secured by a fixed charge over the Royal Festival Hall extension building. This facility is repayable in quarterly instalments until 2027.

The organisation entered into an interest rate swap arrangement in January 2008. Based on Southbank Centre's level of floating rate debt facilities at the time of the arrangement (£16.7m), this provides greater certainty to the organisation over liabilities going forward. The rate agreed was 5.07% for 19 years with a 25% cancellation clause after seven years at the option of Southbank Centre. The option was taken up in April 2015 and the swap notional balance was reduced by 25%.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

14 GROUP & CHARITY RESERVES

	Balances as at 1 April 2014 £'000	Movements in resources		Other Gains & Losses £'000	Transfers in/(out) £'000	Balances as at 31 March 2015 £'000
		Incoming £'000	Outgoing £'000			
<i>Unrestricted funds</i>						
General Reserve	2,582	41,984	(43,826)	-	1,842	2,582
<i>Designated funds</i>						
Strategic Reserve	260	-	-	-	-	260
Designated Capital Reserve	45,151	-	(5,483)	-	758	40,426
Revaluation Reserve (Restated)	169,405	-	-	-	-	169,405
Hayward Gallery Prints Fund	4	-	-	-	-	4
Pension Plan Reserve (note 17)	(3,648)	774	-	(3,577)	-	(6,451)
Total unrestricted funds	213,754	42,758	(49,309)	(3,577)	2,600	206,226
<i>Restricted funds</i>						
Restricted Capital Reserve	-	2,600	-	-	(2,600)	-
Projects Fund	102	1,484	(1,191)	-	-	395
Total restricted funds	102	4,084	(1,191)	-	(2,600)	395
TOTAL funds (2015)	213,856	46,842	(50,500)	(3,577)	-	206,621
TOTAL funds (2014)	216,969	48,381	(51,332)	(162)	-	213,856

The unrestricted General Reserve of Southbank Centre charity (excluding Southbank Centre Enterprises Limited) is £1,280k at 31 March 2015. The remaining £1,302k of the group General Reserve at this date is retained in Southbank Centre Enterprises Limited (see Note 18) and will be donated to the charity under gift aid in July 2015.

Unrestricted funds There are six unrestricted funds, five of which are designated:

The *General Reserve* is available for spending on Southbank Centre's charitable objectives.

The *Strategic Reserve* has been created to support the costs of new initiatives budgeted for future years including developing digital activity.

The *Designated Capital Reserve* reflects funds designated for capital projects, costs relating to capital projects (including interest), maintenance and depreciation on funded assets.

The *Revaluation Reserve* reflects the balance of surplus or deficit on the revaluation of the Land and Buildings (Artistic) as per Note 7. The revaluation reserve has been split out from the Designated Capital Reserve reflecting the surplus on revaluations carried out in prior years.

The *Hayward Gallery Prints Fund* relates to prints that Southbank Centre sells in order to fund the purchase of new prints for display in the Hayward Gallery and on touring exhibitions. This fund has been set up to record separately the funds available to purchase prints.

The *Pension Plan Reserve* reflects the balance of surplus or deficit on the pension scheme and moves in line with annual valuations.

Restricted funds There are two restricted funds:

The *Restricted Capital Reserve* holds unspent grants received for various public realm developments.

The *Projects Fund* holds restricted grants received in advance of expenditure for operating projects.

Transfers in the year

£1.8m was transferred from the Restricted Capital Reserve to the General Reserve in the year reflecting Arts Council capital grant in aid funding received where the restricted purpose has been fulfilled.

£0.8m was transferred in the year from the Restricted Capital Reserve to the unrestricted Designated Capital Reserve reflecting grant income and Arts Council England capital funding received where the restricted purpose has been fulfilled.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

14 GROUP & CHARITY RESERVES - CONTINUED

Analysis of net assets between funds

	Restricted funds £'000	Unrestricted funds £'000	Total funds 2015 £'000	2014 £'000
Tangible fixed assets	-	234,543	234,543	238,202
Current assets	395	6,326	6,721	8,046
Current liabilities	-	(12,739)	(12,739)	(12,456)
Creditors falling due after one year	-	(15,453)	(15,453)	(16,288)
Pension plan liability	-	(6,451)	(6,451)	(3,648)
	<u>395</u>	<u>206,226</u>	<u>206,621</u>	<u>213,856</u>

15 CAPITAL COMMITMENTS

<i>Group and charity</i>	2015 £'000	2014 £'000
Authorised and contracted	<u>2,426</u>	<u>301</u>

Capital commitments relate to Festival Wing project professional fees and staff break space fit-out costs.

16 COMMITMENTS UNDER OPERATING LEASES

<i>Group and charity</i>	2015 £'000	2014 £'000
Operating leases which expire:		
<i>Land and buildings</i>		
After more than five years	<u>110</u>	<u>110</u>
	<u>110</u>	<u>110</u>

17 PENSION COSTS

Southbank Centre provides pension benefits through the Pension Plan which operates two different sections. The defined benefit section was closed to new members from 1 April 2001 and the defined contribution section was opened to new members of staff joining on or after that date. Neither South Bank Foundation Limited nor Southbank Enterprises Limited have a pension fund.

Defined contribution section

Southbank Centre's contributions to the defined contribution section in the year ended 31 March 2015 were £659,000 (2014: £556,000). As at 31 March 2015 outstanding contributions were £57,548 (2014: £43,100). Southbank Centre contributes between 5% and 8% of pensionable salary to the defined contribution section. All contributions are held in separate trustee administered funds.

Defined benefit section

The defined benefit section is funded by employer and employee contributions with assets held in separate trustee administered funds. A full actuarial valuation of the section was undertaken as at 1 April 2014 by a qualified independent actuary on behalf of the trustees. The actuary has undertaken additional calculations to produce estimated results for the purposes of FRS 17. As the section is closed to new entrants, under the projected unit method the current service cost will increase (as a percentage of pensionable salaries) as members approach retirement.

Southbank Centre contributed to the defined benefit section at the rate of 16.3% of pensionable salaries. In addition, Southbank Centre has been contributing £32,000 per month into the defined benefit section of the plan during the year. This amount was temporarily reduced to £13,146 between November 2014 and March 2015 to reflect £94,270 of assets reallocated to the defined benefit section of the plan from the reserve of DC assets not designated to members. Employees in the defined benefit section currently pay contributions at the rate of 7% of pensionable salary.

Regular employer contributions to the plan in 2015/16 are estimated to be £218,000. Deficit contributions to the plan in 2015/16 are expected to be £384,000.

The major assumptions used by the actuary were:

	2015 %	2014 %	2013 %	2012 %
<u>Main financial assumptions</u>				
Rate of increase in pensionable salaries	3.30	3.70	3.65	3.55
Increase in pensions (guaranteed) *	3.20	3.40	3.40	3.30
Increase in pensions (discretionary) *	0.00	0.00	0.00	0.00
Discount rate	3.40	4.60	4.50	4.80
RPI Inflation rate	3.30	3.70	3.65	3.55
CPI Inflation rate	N/A	N/A	N/A	N/A
<u>Expected asset return</u>				
Expected return on equities	6.40	7.60	7.00	7.40
Expected return on bonds	2.40	3.60	2.90	3.30
Expected return on property	5.90	7.10	6.50	6.90
London Eye Asset	2.74	4.04	3.43	3.86

* Pension increases relating to pensionable service after 6 April 1997 are guaranteed whereas pension increases relating to pensionable service prior to that date are discretionary.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23.3 years if they are male and for a further 25.5 years if they are female. For a member who retires in 2034 at age 65 the assumptions are that they will live on average for a further 25.1 years after retirement if they are male and for a further 27.4 years after retirement if they are female.

The results of the actuarial valuation as at 1 April 2014 indicated that there was a significant deficit. The trustees were also advised that discretionary pension increases could only be continued if there was a corresponding significant increase in Southbank Centre's contributions. When the fund is in deficit, the trust deed and rules only permit the trustees to award discretionary pension increases if there is a corresponding increase in the employer's contributions. Consequently, Southbank Centre has obtained additional independent actuarial advice that in current conditions there is no prospect of future discretionary pension increases without a substantial improvement in the funding position. In formulating this policy Southbank Centre recognises that circumstances can change and it may be appropriate at a future date to re-introduce an allowance for discretionary pension increases.

	2015 £'000	2014 £'000	2013 £'000
Employer's pension contribution			
Defined benefit section	505	628	706
Defined contribution section	659	556	526
	<u>1,164</u>	<u>1,184</u>	<u>1,232</u>

The assets and liabilities in the pension plan were:

	2015 £'000	2014 £'000	2013 £'000
Equities	28,207	24,440	23,629
Bonds	10,710	8,783	8,708
Property	1,706	1,469	1,306
Cash	81	62	33
London Eye Asset	7,788	6,661	6,841
Market value of Defined Contribution assets	<u>7,124</u>	<u>5,846</u>	<u>5,022</u>
Total market value of assets	55,616	47,261	45,539
Present value of liabilities	<u>(62,067)</u>	<u>(50,909)</u>	<u>(49,621)</u>
Deficit in plan	<u>(6,451)</u>	<u>(3,648)</u>	<u>(4,082)</u>

17 PENSION COSTS - CONTINUED

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price following the adoption of the amendment to FRS 17. Previously these were valued at mid price.

	2015 £'000	2014 £'000
Reconciliation of present value of defined benefit liabilities		
At 1 April	45,063	44,599
Current service cost	207	257
Interest cost	2,048	1,985
Contributions by plan participants	25	28
Actuarial losses/(gains) on plan liabilities	8,906	(554)
Benefits paid	(1,306)	(1,252)
At 31 March	54,943	45,063

	2015 £'000	2014 £'000
Reconciliation of fair value of defined benefit assets		
At 1 April	41,415	40,517
Expected return on plan assets	2,524	2,210
Actuarial gains on plan assets	5,329	(716)
Contributions by the Employer	505	628
Contributions by Plan participants	25	28
Net benefits paid out	(1,306)	(1,252)
At 31 March	48,492	41,415

	2015 £'000	2014 £'000
Actual return on plan assets		
Expected return on plan assets	2,524	2,210
Actuarial gain on plan assets	5,329	(716)
Actual return on plan assets	7,853	1,494

	2015 £'000	2014 £'000
Analysis of actuarial losses recognised:		
Actual return less expected return on the plan's assets	5,329	(716)
Experience gains and losses arising on the plan's liabilities	(70)	(3)
Changes in assumptions underlying the present value of the plan's liabilities	(8,836)	557
Actuarial (loss)/gain	(3,577)	(162)

	2015 £'000	2014 £'000
Analysis of pension scheme outgoing resources		
Current service cost	207	257
Interest cost	2,048	1,985
Contributions to DC section	659	556
Expected return on Plan assets	(2,524)	(2,210)
Expense recognised in Statement of Financial Activities	390	588

	2015 £'000	2014 £'000
Expected return on the assets of the pension plan	2,524	2,210
Interest on the liabilities of the pension plan	(2,048)	(1,985)
Net return	476	225

	2015	2014	2013	2012	2011
History of experience gains and losses					
Difference between expected and actual return on plan's assets					
Amount (£'000)	5,329	(716)	2,938	713	293
Percentage	10.99%	(1.73%)	7.25%	1.98%	0.83%
Experience gains and losses on the plan's liabilities					
Amount (£'000)	(70)	(3)	(2)	1,604	(2)
Percentage	(0.13%)	(0.01%)	(0.00%)	3.93%	(0.01%)
Total amount recognised in SOFA					
Amount (£'000)	(3,577)	(162)	95	(690)	2,448
Percentage	(6.51%)	(0.36%)	0.21%	(1.69%)	6.90%

Southbank Centre employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Plan at 31 March 2015.

From 1 March 2012 changes were introduced to the Defined Benefit section of the scheme to reduce the lump sum retirement benefit calculation and spouse's pension entitlement. Member contributions for the Defined Benefit section increased to 7% from 1 March 2013.

There was a total actuarial loss of £3,577,000. During the year, equity and bond markets returned more than assumed. In addition, the value of London Eye Asset increased due to a decrease in the rate used to discount the future rental income stream. Overall this led to a gain on assets of around £5,329,000 compared with the expected return.

The financial assumptions underlying the calculation of the liabilities changed during the year. The yield on AA-rated corporate bonds fell and the long-term outlook for RPI inflation decreased. Overall, this led to a higher value being placed on the liabilities at the year-end than expected at the beginning of the year resulting in a loss of around £8,836,000.

The experience loss on the liabilities was £70,000.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

18 SUBSIDIARIES

Southbank Centre Limited owns 100% of the issued share capital of South Bank Foundation Limited (100 shares of £1 each) and Southbank Centre Enterprises Limited (100 shares of £1 each), on behalf of Southbank Centre. Southbank Centre is the controlling party (ultimate parent company) and therefore consolidates these subsidiaries into its financial statements. Southbank Centre Limited only acts in the capacity of sole Corporate Trustee of Southbank Centre through the appointment of its directors (the Governors of Southbank Centre) and is otherwise dormant.

i) *South Bank Foundation Limited*

South Bank Foundation Limited was formed for the purpose of fundraising for Southbank Centre, particularly its site development. South Bank Foundation Limited was dormant during the year.

ii) *Southbank Centre Enterprises Limited*

The principal activities of Southbank Centre Enterprises Limited are to manage certain commercial and retail activities on Southbank Centre's estate, including event hires, the bar and catering concessions, Southbank Centre's own shops and the car park. A summary of Southbank Centre Enterprises Limited's trading results are shown below:

	2015 £'000	2014 £'000
Turnover	8,416	8,461
Cost of sales	(936)	(963)
Administrative expenses	(1,857)	(1,773)
Operating profit	<u>5,623</u>	<u>5,725</u>
Interest receivable	1	3
Net result	<u>5,624</u>	<u>5,728</u>
Gift aid due to parent company	(4,322)	(5,728)
Retained in the subsidiary	<u>1,302</u>	<u>-</u>

As at the balance sheet date the aggregate amount of Southbank Centre Enterprises Limited assets, liabilities, share capital and reserves was:

	2015 £	2014 £
Current assets	1,541	1,851
Creditors: amount falling due within one year	(218)	(1,833)
Net current assets	<u>1,323</u>	<u>18</u>
Creditors: amounts falling due after one year	(21)	(18)
Total net assets	<u>1,302</u>	<u>-</u>
Represented by:		
Profit and loss account	1,302	-
	<u>1,302</u>	<u>-</u>

19 CONTINGENT LIABILITIES

Group and charity

Legal actions

As a body managing 21 acres of public spaces, Southbank Centre is currently facing a small number of personal injury claims. Accruals for claims are only made where there is reasonable likelihood of anticipated liability, and at the year end there were no such accruals. All remaining claims are strongly denied by Southbank Centre, which believes they are without foundation. Southbank Centre has taken legal advice on these cases and believes that there is a reasonable prospect of defending them successfully. However Southbank Centre has a contingent liability to the extent that any of these claims prove to be successful.

Capital grant funding

As mentioned in note 7, the Royal Festival Hall refurbishment was financed by capital grants from Arts Council England and the Heritage Lottery Fund. A fixed and floating charge was taken out by Arts Council England and Heritage Lottery Fund over the assets of the charity. In the event that Southbank Centre ceases operating £49.2m would be repayable to Arts Council England and Heritage Lottery Fund under this charge.

The Royal Festival Hall extension building was financed by a £4m award from the London Development Agency. In the event that SC ceases operating £4m would be repayable to London Development Agency.

Additionally as also mentioned in note 7 the lease on the Waterloo Undercroft was financed by a capital grant from Arts Council England amounting to £937,500. In the event that the lease is disposed of before it expires in February 2148, Southbank Centre will have to repay a portion of the funds.

20 RELATED PARTIES

Rick Haythornthwaite (Chairman of Southbank Centre) is Chairman of Mastercard and Chairman of the World Wide Web Foundation. During the financial year Southbank Centre received corporate sponsorship payments from Mastercard of £600,000 (2014: £600,000). Southbank Centre also paid the World Wide Web Foundation £2,500 (2014: Nil) for services as part of the Web We Want Festival.

Southbank Centre is a trustee of the Jubilee Gardens Charitable Trust which maintains Jubilee Gardens. Southbank Centre does not have significant influence or control over the Trust. Southbank Centre paid a subscription of £21,000 (2014: £20,500) a repairing contribution of £57,784 (2014: £56,375) and event-related costs of £Nil (2014: £830) to Jubilee Gardens Charitable Trust during the year.

The American Fund for Southbank Centre Inc. ("American Fund") provides a tax efficient method for Southbank Centre to receive donations from US based donors. Donations received are transferred to Southbank Centre and recognised by Southbank Centre on a cash basis. During the year, Southbank Centre received USD 39,528 (2014: USD 7,200) from the American Fund. The American Fund had USD 33,946 (2014: USD 26,944) in cash balances available to transfer to Southbank Centre at 31 March 2015.

Cornelius Medvei (Governor) is Chair of Trustees of Cockpit Arts, a social enterprise that on occasion sells work through Southbank Centre's shops, and a Trustee of Whitechapel Gallery. Southbank Centre paid commission of £Nil (2014: £Nil) to Cockpit Arts during the financial year and £550 (2014: £1,211) to Whitechapel Gallery for a trade stand at the London Art Book Fair and provision of catering.

Jamie Ritblat (Governor) is Chief Executive of Delancey Real Estate Asset Management Limited ("Delancey"). During the year, Southbank Centre received free professional advice from Delancey which has not been recognised in these financial statements because it was not able to be measured or valued with sufficient reliability.

Robin Woodhead (Governor) is Chairman of Sotheby's International. Southbank Centre stages exhibitions which may incidentally enhance the value of works which may subsequently be offered for sale by Sotheby's on behalf of vendors. During the course of the year neither Southbank Centre nor Mr Woodhead were aware of any material case where this might have arisen. Mr Woodhead has no day to day involvement in deciding which exhibitions or works should be shown at Southbank Centre. Southbank Centre received £10,000 (2014: £10,853) from Sotheby's during the financial year for corporate membership.

Southbank Centre paid Nihal Arthanayake (Governor) £nil (2014: £550, curator's fee for The Burban Mela performance as part of the Alchemy Festival).

Mick Mannion sits on Southbank Centre's Festival Wing committee as an external advisor and is Managing Director and founder of M3 Consulting. Southbank Centre incurred fees from M3 Consulting for property advice of £Nil (2014: Nil) during the financial year.

20 RELATED PARTIES - CONTINUED

Harrison and Harrison were the contractors engaged by Southbank Centre to restore the Royal Festival Hall organ. Edward Venning, an ex-member of the Executive team of Southbank Centre, is closely related to the Chairman and two other directors of Harrison and Harrison but was not involved in the decision to appoint the company for the refurbishment project.

Southbank Centre, as sponsoring employer, has agreed to pay for the expenses of the Southbank Centre Retirement Plan. These expenses were £311,904 (2014: £257,015) for the year ended 31 March 2015.

Dame Vivien Duffield (Governor) is Chairman of the Clore Duffield Foundation and Director of the Imperial War Museum Foundation. During the financial year Southbank Centre received a grant of £Nil (2014: £100,000) from the Clore Duffield Foundation to contribute to the restoration of the Royal Festival Hall organ. Southbank Centre also paid £588 (2014: £Nil) to the Imperial War Museum trading company for artworks relating to History is Now exhibition.

Southbank Centre is a trustee of Topolski Memoir Limited, which rents studio and storage space from Southbank Centre for a peppercorn rent. Southbank Centre is also party to an agreement with Topolski Memoir Limited and Public Restaurant Partner Limited (t/a Company of Cooks) to use artwork owned by Topolski Memoir Limited in a bar/cafe space rented by Company of Cooks from Southbank Centre. Payments of £26,836 (2014: £Nil) were made by Southbank Centre to Topolski Memoir Limited during the financial year for the use of these artworks.

Susan Gilchrist (Governor) is Group Chief Executive of Brunswick Group. During the financial year Southbank Centre paid Brunswick Arts £Nil (2014: £8,000) for fundraising and communications advice.

Fionnuala Hogan (Governor) is a trustee of Tomorrow's Warriors Trust, which is an artist in residence at Southbank Centre. During the financial year Southbank Centre paid Tomorrow's Warriors Limited, a company connected to Tomorrow's Warriors Trust, £26,790 (2014: £27,610) in performance fees.

Ursula Owen (Governor) is a Director of Carcanet Press Limited. During the financial year Southbank Centre paid Carcanet Press £612 (2014: £Nil) for online advertising and permission to use poems for Poetry International.

Maggie Semple OBE (Governor) is a Non-Executive Director of the British Library. During the financial year Southbank Centre paid the British Library £27 (2014: £Nil) for an inter-library transfer.

Molly Jackson (Deputy Chief Executive) is an Advisor for the London Transport Museum. During the year Southbank Centre paid £200 (2014: £Nil) for artwork to be sold in Southbank Centre's shops.

Chris Denton, a member of the Executive team of Southbank Centre, is closely related to a director of Jane Denton Creative Services Limited. During the course of the year Southbank Centre paid Jane Denton Creative Services Limited £425 (2014: £nil) for editing and proofing services. Chris Denton was not involved in the decision to engage the company for these services.

