

# SOUTH BANK CENTRE



National Audit Office

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2011

# SOUTHBANK CENTRE

Registered as a Charity No. 298909

## Principal office

Belvedere Road  
London  
SE1 8XX

## PROFESSIONAL ADVISORS

### Bankers

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### Solicitors

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EC2A 2HS

### Auditor

Comptroller and Auditor General  
The National Audit Office  
Buckingham Palace Road  
Victoria  
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7 More London Riverside  
London  
SE1 2RT



National Audit Office

<b>TRUSTEES</b>
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**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		
Mr Robin Woodhead (Deputy Chairman)	22 September 2004		02 July 2008
Dame Vivien Duffield	24 June 2002		02 July 2008
Ms Susan Gilchrist	24 September 2008		
Mr Brent Hansen	24 September 2008		
Ms Fionnuala Hogan	21 November 2007		
Mr David Kershaw	24 September 2008		
Mr Cornelius Medvei	30 September 2009		
Ms Ursula Owen, OBE	02 July 2003		01 July 2009
Mr Jamie Ritblat	30 September 2009		
Mr Mark Wallinger	29 April 2010		
Mr Julian Lloyd Webber	30 September 2009		
Ms Maggie Semple OBE	23 September 2010		
Mr Nihal Arthanayake	25 January 2011		

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 in 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), Susan Gilchrist, Rick Haythornthwaite, Cornelius Medvei, Jamie Ritblat
<i>Strategy</i>	Rick Haythornthwaite (C), Susan Gilchrist, Fionnuala Hogan, David Kershaw, Robin Woodhead
<i>Remuneration</i>	David Kershaw (C), Brent Hansen, Ursula Owen, Cornelius Medvei
<i>Nominations and Governance</i>	Rick Haythornthwaite (C), Dame Vivien Duffield, Brent Hansen, Robin Woodhead
<i>Property</i>	Jamie Ritblat (C), Fionnuala Hogan, Cornelius Medvei

*C = Chairman of that Committee*

<b>CHIEF EXECUTIVE AND OTHER CURRENT SENIOR STAFF</b>
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Alan Bishop	Chief Executive
Jude Kelly, OBE	Artistic Director
Victoria Cheetham	Director of Arts Administration
Stephen Eames	Deputy Finance Director
Sarita Godber	Director of Human Resources
Rachel Holmes	Head of Literature & the Spoken Word
Anne Hynes	Trading Director
Molly Jackson	Finance and Commercial Director
Shân MacLennan	Creative Director, Learning and Participation
Catherine Mallyon	Deputy Chief Executive
Marshall Marcus, ARCM	Head of Music
Mike McCart	Director of Partnerships and Policy
Wendy Martin	Head of Dance and Performance
Gillian Moore, MBE	Head of Contemporary Culture
Rebecca Preston	Director of Development
Ralph Rugoff	Director, Hayward Gallery
Edward Venning	Director of Communications and Marketing

# SOUTHBANK CENTRE

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**CHAIRMAN'S FOREWORD**

In a difficult financial environment, 2010/11 saw Southbank Centre inspire and innovate. Under the guidance of Artistic Director, Jude Kelly, a clutch of new festivals, including Festival Brazil, Alchemy and WOW: Women of the World, put Southbank Centre at the forefront of artistic excellence and led the way in cultural debate. We did this in close collaboration with all parts of the arts ecology, from supporting individual artists through our Artists-in-Residence scheme to partnerships with organizations of all sizes, from local schools and businesses to major arts centres such as the Barbican. I would like to thank all of our partners for making this year the success that it has been.

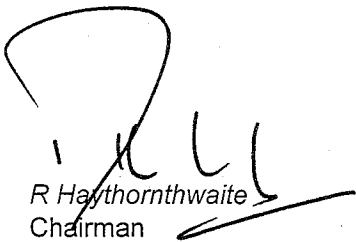
Chief Executive Alan Bishop leads an organization that will continue to flourish, with our entrepreneurial retail business delivering impressive results.

Even though we run ourselves efficiently, we could still not cover the basic costs of maintaining this site and opening the buildings every day without substantial core funding from Arts Council England. I thank them for their renewed support.

I am pleased to report that the financial results for this year surpassed expectations. In 2010/11 operating income exceeded £40 million for the third year running. A significant increase in Development income, an increase in commercial income and strong ticket sales contributed to Southbank Centre's resilience.

This year we announced the appointment of Nihal Arthanayake, Maggie Semple and Mark Wallinger to our Board of Governors. They bring a broad range of knowledge, talent and experience that will be valuable to our future governance. At the management level we appointed Molly Jackson as permanent Finance and Commercial Director. I thank John Greenwood for the part he has played as interim Director.

Our site – whose history we celebrate in the summer of 2011 – is at the heart of what we do. We maintain it to the highest standard in order to welcome millions of visitors each year as best as we possibly can. I look forward to the year ahead, and thank all our staff for ensuring that Southbank Centre remains the world's most inspiring centre for the arts.



R Hawthornthwaite  
Chairman  
Southbank Centre Limited  
As Trustee for Southbank Centre

NAO  
National Audit Office

**REPORT OF THE TRUSTEE**

***Legal Framework***

Southbank Centre (SC) is a registered charitable trust with a single corporate trustee, Southbank Centre Limited (SCL), a company limited by guarantee. SC 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 SC, SCL 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.

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

SCL's other wholly owned subsidiary is Southbank Centre Enterprises Limited (SCEL), which manages certain commercial activities on the Southbank estate. The results of SCEL are consolidated on a line-by-line basis with those of SC. See note 19 for details of SCEL's results.

***Governors and Management***

The Board of Governors, who are directors of SCL (the sole corporate trustee) are not remunerated for their services and have delegated management of SC'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 also has five sub-committees to assist its governance of SC: Audit and Risk, Strategy, Remuneration, Nominations and Governance and Property Committees.



**REPORT OF THE TRUSTEE**

***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.

***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 SC's aims and objectives and planning future activities. SC relies mainly on the ACE revenue grant, income generated from commercial activities and box office income to cover its operating costs. When determining ticket prices, careful consideration is given to ensuring the accessibility of SC's artistic activity to those on low income. SC provides a wide range of artistic activity, including unticketed events, to ensure everyone has the opportunity to experience events at SC, as well as enjoying SC's 21 acre site along the South Bank. Further details are given below under *Review of the Business*.

***Review of the Business***

SC's principal activities continue to be the presentation of performing arts events in the three concert halls, visual arts exhibitions in the Hayward Gallery and maintenance of the 21-acre site, of which it is leaseholder.



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## REPORT OF THE TRUSTEE

## Artistic Review

Southbank Centre has a unique heritage, rooted in its origin as a festival site. This has been brought up-to-date by artistic programming based around a series of annual and one-off themed festivals which animate the site and set-up encounters between artists and audiences.

This approach was epitomised in April 2010 by **Alchemy**, a major new festival celebrating contemporary and traditional culture from India. With a full programme of music, dance, literature, food, debate and fashion, events ranged from a rare classical concert of works by celebrated composer **A.R. Rahman** performed by our Resident Orchestra the London Philharmonic Orchestra, to the very best UK Bhangra.

Also in April, **Ether** festival, now in its ninth year, continued to break boundaries in innovation, art, technology and cross-arts experimentation. Its history of groundbreaking work continues this year with, amongst many other events, **Chris Cunningham** presenting his new audio-visual project and **Gil Scott-Heron** made a much anticipated appearance at the Royal Festival Hall, his first UK date in nine years.

The groundbreaking **Varèse 360°** saw Varèse's entire oeuvre being performed over one weekend, with two concerts by the London Sinfonietta at Queen Elizabeth Hall and one by the National Youth Orchestra at the Royal Festival Hall. The concerts attracted new audiences and were critically acclaimed, winning praise with both classical and contemporary music audiences.

The 10 month-long **Bernstein Project**, lead by Artistic Director Marin Alsop, culminated in a production of Bernstein's *Mass*, the controversial music theatre piece that is very rarely performed. The production featured a specially assembled Mass Orchestra including many young players, 40 marching band Scouts and Guides, 110 children from 4 local schools, Bromley Boys Choir, 230 adults, 30 dance students and a street chorus of 28. The project was shortlisted for a Royal Philharmonic Society (RPS) Award for Education.

Nigel Kennedy curated **Nigel Kennedy's Polish Weekend** over the May bank holiday; with over 20 acts performing, the focal point was the UK debut of Nigel Kennedy's Orchestra of Life, a brand new group made up of leading young Polish musicians who are equally at home performing classical repertoire, jazz and improvisation.

The temporary comedy and performance venue, **Udderbelly** returned for a second year. It was also the second year of the Udderbelly Academy course, which gives young people training in all aspects of running a performance venue. The Academy came to a conclusion later in the summer, with 5 young people selected for work experience at the Edinburgh Festival Fringe.

The **5 Days in May** festival showcased international work not programmed in London before, and introduced current developments in the dance scene.

**Joanna Newsom** fans came in their thousands to fill the Festival Hall twice in a row to see this classically trained harpist perform her modern psyche folk songs.

**Chorus Festival** saw the instillation of Martin Creed's *Work 409* in the Southbank Centre's JCB glass lift, in which visitors journeys are accompanied by the recorded voices of Voicelab singers. Small groups from Voicelab sang live in the other lifts at busy periods throughout the week, whilst members of the public joined in mass vocal warm-ups and an open invitation to *Sing Mahler*.





## REPORT OF THE TRUSTEE

**Festival Brazil** sponsored by HSBC saw a multitude of sold out world-class performances from some of Brazil's biggest and most influential musicians. **Maria Bethania** wowed crowds in the Royal Festival Hall in an intensely powerful performance, her first in the UK for almost 10 years, and Tropicália icon **Gilberto Gil** reminded us again why he is revered worldwide with a spectacular show consisting of both old and new material. The site was animated throughout the Festival by work from Brazilian and British artists. The most popular installation was **Project Morrinho: Southbank Centre Favela**, involving 45 tonnes of sand and 4,000 bricks and built by young people from Rio and London, creating a landscape that combined the spirit of both cities.

The Hayward Gallery reopened to the public in June after a period of closure for essential maintenance with two exhibitions **Ernesto Neto: The Edges of the World** and **The New Décor**. Neto's site specific installations transformed the Hayward Gallery's spaces both inside and out, and even encouraged visitors to take a dip in a sculptural pool on the gallery's sculpture terrace with views across London. *The New Décor* was an international survey of some 30 contemporary artists whose work explored interior design as a means of engaging with changes in contemporary culture.

**See Further: The Festival of Science and Arts** saw the Royal Society's Summer Exhibition on the floor of the Clore Ballroom. The whole site animated with performances, artworks and opportunities to interact, including robotic AirPenguins, which flew around Royal Festival Hall and giant life-size recreations of extinct pterosaurs swooping down the side of the building. The festival also saw the world premiere of Stanley Kubrick's 1968 masterpiece *2001: A Space Odyssey* with live music, and the UK premiere of *Icarus at the Edge of Time*, a collaboration between the world-renowned physicist and mathematician, Brian Greene and composer Philip Glass.

Richard Thompson's **Meltdown** presented a diverse programme of concerts, of which a stand out performance was a host of friends and family line up for a Celebration of Kate McGarrigle, who died in January 2010. A month on from the UK General Election, *An Evening of Political Song* as part of Meltdown in the Royal Festival Hall featured performances of protest and rebellion by Tom Robinson, Jez Lowe, Eliza Carthy, Martin Carthy, Boris Grebenshikov and Emily Smith brought together three of Richard's abiding passions – cricket, politics and soul music.

Literature and the spoken word loomed large in Southbank Centre's programming throughout the year, with talks from world-renowned writers and thinkers including Seamus Heaney, Karen Armstrong, Stephen Fry, Jonathan Franzen, Stephen Sondheim and John Waters. The climax was the annual **London Literature Festival**, which took writing from Brazil, the melding of science and art, and the role of classic stories as its themes. Bret Easton Ellis, author of *American Psycho*, launched his new novel *Imperial Bedrooms*, John Cooper Clarke, the original punk poet, did his first solo show at Southbank Centre in over a decade, top Brazilian footballer Sócrates talked about football and Brazil and Marcus du Sautoy lectured on the *Maths of Music*. Philosopher and critical theorist Slavoj Žižek spoke to an enraptured sold out Festival Hall.

Southbank Centre played host to two spectacular family shows during August. **Into the Hoods**, a hit street dance show played to wildly enthusiastic crowds in Royal Festival Hall, and **Le Cirque Invisible**, a magical two person fantasy theatre with French clown Jean-Baptiste Thiérrée and transformation artist Victoria Chaplin, enchanted audiences in Queen Elizabeth Hall.



## REPORT OF THE TRUSTEE

The Philharmonia Orchestra opened its season with a special version of Wagner's epic opera, **Tristram und Isolde**, in Peter Sellars' production, featuring Bill Viola's spectacular film. The season marked the beginning of a major series celebrating the 150th year of Mahler's birth in 2010 and the centenary of his death in 2011, with over 30 hours of Mahler's music performed over 27 concerts in 14 months by the London Philharmonic Orchestra, the Philharmonia Orchestra, the Orchestra of the Age of Enlightenment, the National Youth Orchestra and the Berliner Philharmoniker with Sir Simon Rattle.

Autumn saw the beginning of Southbank Centre's dynamic and wide-ranging classical music season and the Shell Classic International series. As a sequel to Simón Bolívar Youth Orchestra's five-day residency in April 2009, Southbank Centre presented the **Sounds Venezuela** series, featuring the UK debut of the younger Teresa Carreño Youth Orchestra of Venezuela, and three intimate performances from the Simon Bolivar String Quartet in a week of concerts, talks, open rehearsals and film.

In October Hayward Gallery presented **Move: Choreographing You**, which explored how dance and performance have been a driving force in the development of contemporary art since the 1960s. Dancers from Trinity Laban Conservatoire of Music and Dance performed, animated sculptural works and interacted with the public, encouraging new ways to experience art. The exhibition saw a close collaboration between the curators at the Hayward Gallery and dance programmers at Southbank Centre, culminating in a three day festival, *Move Weekend*, which brought together key figures from the worlds of art and dance. Following its presentation at the Hayward Gallery the exhibition opened to great critical acclaim at Haus der Kunst, Munich.

**Dance Umbrella**, the annual festival celebrating new dance, showcased the first UK appearance from Congolese dancer Faustin Linyekula, as well as London favourites Condoco Dance Company. This year's festival featured *Celebrating Trisha Brown*, a special focus on the iconic American dance artist.

Southbank Centre celebrated the 75th birthday of German composer **Helmut Lachenmann** with a weekend of music, film and discussion. The weekend won an RPS Music Award for Concert Series. **Spira Mirabilis**, an extraordinary orchestra formed of the finest young musicians in Europe who perform and rehearse without a conductor, performed Beethoven's mighty *Eroica* Symphony.

The **London Jazz Festival** returned, having grown into one of London's landmark music events. Highlights this year included performances from jazz legends Herbie Hancock and Juliette Gréco.

**Poetry International**, the UK's biggest poetry festival, took aspects of war and peace as its theme, with Palestine and the Middle East as its central focus.

The Christmas Season saw a selection of family shows, including Kneehigh's re-telling of **Hansel and Gretel**, which combined physical theatre and compelling story-telling with a macabre Heath Robinson-style set; a knock-out show from street dance troupe **Flawless**; and performances from the Philharmonia Orchestra accompanying the Oscar-winning film **Peter & the Wolf**, narrated by legendary musician Jarvis Cocker.

As part of January's **London Mime Festival**, the ever-engaging Paolo Nani & Kristjan Ingimarsson from Denmark performed *The Art of Dying*, an 80 minute wordless comedy and tenderness, which explored the taboos that surround death.



REPORT OF THE TRUSTEE

**Art by Offenders** marked our third year of partnership with the Koestler Trust. Showcasing visual art, music, poetry and prose, film and craft created by offenders, secure patients and detainees, the exhibition in Spirit Level attracted 14,494 visitors over 7 weeks.

The **TS Eliot Prize Readings** in January were held in front of an almost sold out Festival Hall. The best poetry of the year was showcased, where legendary names vied for the prestigious prize for the best poetry collection of 2010. Simon Armitage, Annie Freud, John Haynes, Seamus Heaney, Pascale Petit, Robin Robertson, Fiona Sampson, Brian Turner and Sam Willemts all read from their work at an event hosted by Ian McMillan. The event was presented in association with the Poetry Book Society.

In January our Resident Orchestra, the Philharmonia Orchestra, launched its year-long exploration of the life, influences and music of the Hungarian composer Béla Bartók. Esa-Pekka Salonen opened **Infernal Dance: Inside the World of Béla Bartók** with a concert that included the composer's Piano Concerto No. 1 with soloist Yefim Bronfman, symphonic poem Kossuth, and ballet *The Miraculous Mandarin*. Hungary was further celebrated in January as Iván Fischer conducted his Budapest Festival Orchestra in a special concert launching UK's cultural celebrations of Hungary EU Presidency from January to June. As part of our Shell Classic International series, the concert featured a performance of **Franz Liszt's Piano Concerto No. 1** with soloist Stephen Hough, marking the Hungarian composer's Bicentenary.

Widely recognised as the most ambitious and influential exhibition of contemporary British art, *British Art Show* is organised by Hayward Touring and has taken place every five years since 1979. This year, **British Art Show 7: In the Days of the Comet** received high critical acclaim and an enthusiastic public reception with visitor figures and income significantly exceeding estimates. The first *British Art Show* to appear in London for 21 years, it also toured to Nottingham, Glasgow and Plymouth. Hayward Touring also organised an acclaimed exhibition of the visual art of **John Cage**, which will be on show at the Hayward Project Space this summer.

This year the Arts Council Collection unveiled the second *Flashback* exhibition, a monographic show celebrating the work of renowned artist and Turner Prize winner, **Anish Kapoor**. Combining works from the Collection with new pieces borrowed directly from the artist and from major public collections, it was the first show outside London of the artist's work in over a decade. Opening at Manchester Art Gallery, the display tours to Nottingham, Wakefield and will be a highlight of the Edinburgh Art Festival in August 2011. The ACC also celebrated the work of young British sculptors in **Structure & Material**, a new touring exhibition which opened in Longside Yorkshire Sculpture Park to coincide with the opening of Hepworth Wakefield.

The **Imagine Children's Festival** celebrated its 10th year in February. Amongst the excellent work programmed this year were *The 12 Cellos of the Berliner Philharmoniker*, for a very special one-hour concert for children and their families. Our Artist in Residence Elizabeth Watts invited children to join her on the stage of the Queen Elizabeth Hall for her *Animal Magic* workshops to learn songs, make music and tell stories about their favourite animals, and Jeremy Strong read from *Cartoon Kid*, a superhero extravaganza packed with slapstick humour.

February also saw a series of spectacular contemporary music concepts. **Ray Lamontagne** played to a packed out Festival Hall in February to huge critical acclaim, and Meltdown Director **Richard Thompson** returned to play impressive sets to admiring crowds.



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## REPORT OF THE TRUSTEE

As part of the Shell Classic International series, we presented two concerts by the Berliner Philharmoniker, conducted by Sir Simon Rattle, in conjunction with the Barbican Centre. **Simon Rattle and the Berliner Philharmoniker: The London Concerts** opened at the Queen Elizabeth Hall with a chamber music concert, and concluded on a few days later at the Royal Festival Hall, to rapturous audiences and critical acclaim across the board.

Following the barnstorming success of the Teresa Carreño Youth Orchestra earlier in the year, we resumed our ongoing partnership with El Sistema by bringing back the **Venezuelan Brass Ensemble** in February, who made a sensational impression performing as part of Simón Bolívar Youth Orchestra's residency in 2009.

The popular **Think Tank Clash** returned for a second year, hosted by writer and broadcaster John O'Farrell. Think-tanks from across the political spectrum were challenged to convince the audience of their standpoint on universal issues such as truth, justice, respect and community.

**danceUnion** returned with a three-day festival of European dance, featuring emerging talent. A development of the original festival last year 21 choreographers from 20 countries across Europe presented work in three evenings of mixed bills and took part in a four-day residency led by the acclaimed experimental UK choreographer Jonathan Burrows. The festival patron this year was Siobhan Davies.

March saw the launch of **WOW: Women of the World**, to coincide with the 100th anniversary of International Women's Day. This festival was the first of its kind in the UK, celebrating the achievements and potential of women, and was packed with live music, talks, debates, free events, markets and many participatory opportunities. Highlights included speakers from across five continents including Dr. Precious Lunga, Juliet Stevenson, Jyoti Mhapsekar, Bianca Jagger and Caroline Lucas MP; speed mentoring with over 50 leading women from a range of industries; the EQUALS Live concert with Annie Lennox, Kate Nash, Paloma Faith and V V Brown; a suffragette-inspired evening of comedy and music with Sue Perkins and Sandi Toksvig; DJ set with Annie Nightingale Radio 1's longest-serving DJ and presenter; Bird's Eye View Film Festival present live scores set to silent films by Imogen Heap and Micachu and a live broadcast of Woman's Hour with Jenni Murray.

### Commercial

SC's commercial activities traded well during 2010/11, despite the ongoing recession and bad weather affecting the latter half of the summer and also December. Visitors to the site were 3% up on the previous year, which contributed towards an overall 3% increase in net sales in the bars and cafes.

Rental income from the retail and restaurant units increased with upward rent reviews. Our own retail (at the Hayward Gallery, RFH and Festival Terrace) resulted in less profit than in 2009, due to the nature of exhibitions in the Hayward which did not generate strong catalogue and merchandise sales. Sales in the RFH and Festival Terrace increased 8% and 5% respectively. Other income fell, as an increase in filming and photography income was not sufficient to compensate for declining car park income, with fewer people choosing to drive into central London.



**REPORT OF THE TRUSTEE**

**Development**

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

In 2010/11 the Development Department achieved income of £2.2m (£1.4m) from Corporate, Trusts & Foundations and Individual Giving. The net contribution to SC's charitable activities and overheads after deducting direct expenditure (including payroll) was £1.7m (2009/10: £1.0m).

Income of £1.6m was achieved via Development Events, which incorporates the hiring of space for commercial purchases. This was an increase of £0.9m on the previous financial year. The net contribution to SC's charitable activities and overheads after deducting direct expenditure (including payroll) was £1.2m (2009/10: £0.4m).

Capital income is shown as funding for assets under construction.

**Capital Project Developments**

SC will continue to develop and refurbish its facilities and site incrementally. The following major projects have been, or will be, developed in the near future.

*Organ Restoration*

SC embarked on a £2.3million project to return the organ to its former glory and reinstall the missing 5,000 pipes that were not restored during the RFH refurbishment in 2007. The restoration work by Harrison & Harrison in Durham, who designed and built the organ in 1954 with Ralph Downes CBE, began in February 2011. The completed organ will be fully playable once more in 2014, 60 years after it was first installed. £1.35 million has been raised including a grant from the Heritage Lottery Fund.

*Hungerford Bridge Undercroft*

Extending the very successful Festival Riverside retail frontage under the railway bridge is a highly desirable next stage in the development of the site. Following successful discussions with Network Rail, Westminster City Council and Lambeth Council we will be submitting the planning application in the summer. The delay in making the application has arisen primarily because of sensitive heritage issues.

*Jubilee Gardens*

Jubilee Gardens should be transformed into a world-class gardens in time for 2012. The gardens will be run on a day to day basis by a Trust comprising local landowners and businesses and the residential community. Southbank Centre will remain in control of the cultural events programme in the gardens.

*Queen Elizabeth Hall/ Purcell Room/ Hayward Gallery*

Essential works to the Hayward Gallery were completed in the year supported substantially by Arts Council England.

Refurbishment of the Queen Elizabeth Hall, Purcell Room and Hayward Gallery constitute the next critical phase of our site development strategy. In preparation for this we have commissioned an updating of our masterplan brief to confirm our future needs and opportunities and completed a major conditions survey of both buildings. Together these will inform our 25 year financial plan which will set out our capital priorities and requirements for our all our buildings and site. The government decision not to list the buildings represents a boost as does Lambeth's decision to de-designate one third of the Hungerford Car Park Metropolitan Open Land. Both significantly reduce the planning risks going forward.



**REPORT OF THE TRUSTEE***Waterloo City Square*

SC is a member of South Bank Employers' Group (SBEG) which has brought together a wide range of landowners around the IMAX and the different transport, regeneration and planning authorities to develop major improvements in the pedestrian routes from The Old Vic and Waterloo Station to the river. Architects DHDSA have been appointed to progress the scheme which would convert the IMAX into a peninsular, create a major public square outside Waterloo Station and convert Southbank Centre's undercrofts into potentially valuable cultural and commercial space. SBEG is still seeking funding to develop the scheme to detailed design.

**Financial Review**

SC achieved a breakeven result on the unrestricted operations fund after a transfer of £0.5m to designated reserves.

<u>Income</u>	<b>2011</b>		<b>2010</b>	
	<b>£'000</b>		<b>£'000</b>	
Donations and sponsorship	2,160	5%	1,374	3%
Arts Council revenue grant	22,763	54%	23,472	57%
Activities for generating funds	9,817	23%	8,925	22%
Income from artistic activity	7,791	18%	7,472	18%
Interest receivable	2	0%	6	0%
<b>Total operating income</b>	<b>42,533</b>	<b>100%</b>	<b>41,249</b>	<b>100%</b>

SC operating income increased by £1.3m compared to prior year despite a reduction in the Arts Council revenue grant. The increase in operating income was due to a £0.9m increase in activities for generating funds. This was mainly as a result of a £0.9m increase in income from Development Events (hall and space rental) and an increase in donation and sponsorship income, most notably due to HSBC's sponsorship of the Festival of Brazil.

<u>Expenditure</u>	<b>2011</b>		<b>2010</b>	
	<b>£'000</b>		<b>£'000</b>	
Cost of fundraising	769	2%	834	2%
Retail and trading	5,403	13%	4,841	12%
Cost of charitable activities	35,894	85%	35,023	85%
Governance	321	1%	314	1%
<b>Total operating expenditure</b>	<b>42,387</b>	<b>100%</b>	<b>41,012</b>	<b>100%</b>

Operating expenditure has increased in line with operating income reflecting the increase in charitable activities performed in 2010/11. This reflects SC's commitment to maintaining and growing our artistic programme while continuing to be financially prudent.

**REPORT OF THE TRUSTEE*****Employee Policies***

The Governors recognise that SC's success and position in the arts depends on the quality and motivation of its employees and SC 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 SC's aims and the performance of all its activities. This is achieved through regular internal briefings on SC's performance and major developments.

SC 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.

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

***Reserves Policy***

At year end, SC has general reserves in the Unrestricted Operation Fund of £2.6m (2010: £2.6m) which is sufficient to cover approximately four weeks of budgeted operating expenditure. The Governors will aim to maintain the Unrestricted Operation Fund at this level, while in the long-term aiming to build up the Capital Reserve to a level approximately equal to the value of net fixed assets (fixed assets less non-current borrowings) in order to provide a reserve for future maintenance and development of the site. SC plans to achieve this by prudent financial management allowing each year for a transfer from the Unrestricted Operating Fund to the Capital Reserve. However, the Governors will continue to focus primarily on liquidity and the availability of headroom on financial facilities when considering the financial stability of SC.

**Capital Reserve Designated Fund**

The Capital Reserve provides a fund for capital expenditure (included depreciation on funded assets), future maintenance and development of the site and related loan payments.

**Other Designated Funds**

At 31 March 2011, SC has the following designated funds:

**2010/11 Pay Award Fund:** The pay award relating to the 2010/11 financial year was not finalised at 31 March 2011. SC has set aside funds towards the cost of a negotiated settlement in 2011/12. This designated fund will be fully utilised or released in the 2011/12 financial year.

**Hayward Gallery Prints Fund:** SC sells prints 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 separately record the funds available to purchase prints.

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 SC. The Governors consider SC's current and forecast cash resources, taken together with a committed overdraft facility with Lloyds TSB Bank plc, under which £5.5m is available until 30 June 2012, to be sufficient to cover the working capital requirements of the charity for at least 12 months. The overdraft facility is drawn down as and when required. The facility is available until 30 June 2012 and is reviewable annually.



**REPORT OF THE TRUSTEE**

SC 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 SC to March 2015. The going concern basis used in the preparation of these financial statements is based upon the expectation that SC will continue to receive sufficient support from the Arts Council England to match its expenditure with the total revenue it raises.

The current deficit of £3.0m on the Pension Plan as at 31 March 2011 represents a decrease of £3.0m on the deficit shown at the previous year end. The reduction in the deficit is mainly due to higher expected return on Plan assets. The Governors and 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 SC 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 accounts.

**Funding Agreement**

SC is subject to Arts Council England's normal monitoring arrangements and annual reviews. SC operates under an annual Funding Agreement with Arts Council England, the terms of which require SC to provide regular financial and non-financial data to Arts Council England for monitoring SC'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 SC and attend all of SC's board meetings.

2010/11 represents the third year of the current three-year funding cycle from Arts Council England. Arts Council England has indicated they will fund SC until 31 March 2015.

**Risk Management**

The Governors have examined the major strategic, business and operational risks which the charity faces, and have reviewed a risk register prepared by management for continual assessment and actions to mitigate those risks. The following are the major risks identified:

- Impact of the economic climate on ticket sales, development sales and commercial income from shops and outlets.
- Major disaster causing significant infrastructure damage and loss of business.
- Failure to comply with core funding agreements and to fulfil commitments to key sponsors.
- Failure to implement the artistic vision.
- Failure to comply with key legislative requirements such as health and safety and the Data Protection Act.





## REPORT OF THE TRUSTEE

The Governors have determined the major risks to which the charity is exposed, 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. This position is recorded in a risk register which is issued by management and will continue to be reviewed regularly.

As part of SC's risk mitigation strategy the organisation entered into an interest rate swap arrangement in January 2008. Based on SC'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 SC.

### *Internal Financial Control*

The Board of Governors has overall responsibility for SC'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 SC'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 SC 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 SC 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 SC'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 2011 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 SC is carried out by two sets of auditors: PricewaterhouseCoopers LLP and the Comptroller and Auditor General. The Comptroller and Auditor General expresses an audit opinion on the SC accounts prior to them being laid before Parliament, along with his opinion and report. To deliver the audit opinions in the most efficient and effective way, the National Audit Office, which carries out the audit on behalf of the Comptroller and Auditor General, has access to the files of PricewaterhouseCoopers LLP in order to satisfy itself on the extent of the audit and in order to enable it to inform the Comptroller and Auditor General's audit opinion.

The Governors believe that all relevant information has been made available to the external auditors.

**REPORT OF THE TRUSTEE**

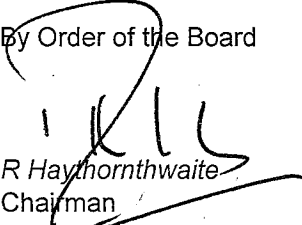
***Political and Charitable Donations***

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

***Insurances***

During the year SC 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. SC 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. Apart from these insurances, SC is self-insured by Treasury (as confirmed by an agreement with the Department for Culture, Media and Sport).

By Order of the Board

  
R Haythornthwaite  
Chairman  
Southbank Centre Limited  
as Trustee for Southbank Centre

1 July 2011



**STATEMENT OF TRUSTEE RESPONSIBILITIES**

Under Section 47 of the Local Government Act 1985 SCL, as sole corporate trustee of SC, is responsible for preparing the Annual Report and the financial statements. The Trustee prepares the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements must show a true and fair view of SC's income, expenditure, financial activities and cash flows during the year and of its state of affairs at the end of the year. In preparing the financial statements the SCL 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that SC will continue in operation.

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of SC and enable it to ensure that the financial statements comply with the directions under the Local Government Act 1985 and the applicable requirements of the Charities Act 1993 as amended by the Charities Act 2006, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. It is also responsible for ensuring the propriety and regularity of financial transactions and safeguarding SC's assets and hence for taking reasonable steps for the prevention and detection of fraud and breaches of law and regulations 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.



National Audit Office

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SOUTHBANK CENTRE**

I have audited the financial statements of the Southbank Centre for the year ended 31 March 2011 which comprise the Consolidated Statement of Financial Activities, Group Operating Statement, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. 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).

**Respective responsibilities of the Trustee and auditor**

As explained more fully in the Statement of Trustee Responsibilities the Trustee is responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 47 of the Local Government Act 1985 and report in accordance with regulations made under section 44 of the Charities Act 1993. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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 Southbank Centre's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustee; and the overall presentation of the financial statements.

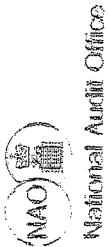
**Opinion on Regularity**

In my opinion, in all material respects the expenditure and income funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Southbank Centre Group's affairs as at 31 March 2011, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

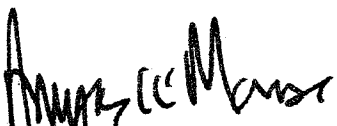


**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SOUTHBANK CENTRE**

**Matters on which I report by exception**

I have nothing to report in respect of the following matters where the Charities Act 1993 requires me to report to you if, in my opinion:

- the information given in the Report of the Trustee is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

  
Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP

5<sup>4</sup> July 2011

**SOUTHBANK CENTRE**  
**GROUP OPERATING STATEMENT**  
Year ended 31 March 2011

2011  
£'000

2010  
£'000

**INCOME**

Donations and sponsorships	2,160	1,374
Arts Council revenue grant	22,763	23,472
Activities for generating funds	9,817	8,925
Income from artistic activity	7,791	7,472
Interest receivable	2	6
<b>Total operating income</b>	<b>42,533</b>	<b>41,249</b>

**EXPENDITURE**

Costs of fundraising	769	834
Retail and trading	5,403	4,841
Costs of charitable activities	35,894	35,023
Governance	321	314
<b>Total operating expenditure</b>	<b>42,387</b>	<b>41,012</b>

**TRANSFERS**

Use of restricted project funds	350	3
Transfer to designated funds	(496)	(240)
<b>OPERATING SURPLUS</b>	<b>-</b>	<b>-</b>

**RECONCILIATION TO STATEMENT OF FINANCIAL ACTIVITIES**

Operating Surplus	-	-
Income for Restricted Funds (Long Term)	564	2,253
Income for Designated Funds	855	972
Total resources expended - Designated Funds	(7,417)	(8,659)
Total resources expended - Restricted Funds (Long Term)	(386)	(120)
Use of restricted reserves	(350)	(3)
Transfer to designated funds	496	240
<b>Net outgoing resources before other recognised gains and losses</b>	<b>(6,238)</b>	<b>(5,317)</b>

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

Costs of fundraising include £453,000 of costs directly attributable to the Development team, and £316,000 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 2011

	Notes	Unrestricted funds		Restricted funds		Total funds	
		Operations £'000	Designated £'000	Projects £'000	Long Term £'000	2011 £'000	2010 £'000
<b>INCOMING RESOURCES</b>							
<b>Incoming resources from generated funds</b>							
<i>Voluntary income</i>							
Donations and sponsorship		1,768	111	392	-	2,271	1,501
Arts Council revenue grant		22,485	-	278	-	22,763	23,472
Funding for assets under construction		-	150	-	564	714	2,665
<i>Activities for generating funds</i>	3	9,817	-	-	-	9,817	8,942
<i>Interest receivable</i>	9	2	-	-	-	2	326
		<u>34,072</u>	<u>261</u>	<u>670</u>	<u>564</u>	<u>35,567</u>	<u>36,906</u>
<b>Incoming resources from charitable activities</b>							
Artistic activity	3	7,791	594	-	-	8,385	7,568
<b>Total incoming resources</b>		<u>41,863</u>	<u>855</u>	<u>670</u>	<u>564</u>	<u>43,952</u>	<u>44,474</u>
<b>RESOURCES EXPENDED</b>							
<b>Costs of generating funds</b>							
Costs of fundraising	5	769	35	-	-	804	868
Retail and trading	5	5,403	597	-	-	6,000	5,420
		<u>6,172</u>	<u>632</u>	<u>-</u>	<u>-</u>	<u>6,804</u>	<u>6,288</u>
<b>Costs of charitable activities</b>							
Artistic activity	5	34,874	6,555	1,020	-	42,449	41,492
Construction and refurbishment	5	-	230	-	386	616	1,696
		<u>34,874</u>	<u>6,785</u>	<u>1,020</u>	<u>386</u>	<u>43,065</u>	<u>43,188</u>
<b>Governance costs</b>							
	5	321	-	-	-	321	315
<b>Total resources expended</b>	5	<u>41,367</u>	<u>7,417</u>	<u>1,020</u>	<u>386</u>	<u>50,190</u>	<u>49,791</u>
<b>Net (outgoing)/incoming resources before transfers</b>		<u>496</u>	<u>(6,562)</u>	<u>(350)</u>	<u>178</u>	<u>(6,238)</u>	<u>(5,317)</u>
<b>Transfers between funds</b>	15	(496)	2,893	-	(2,397)	-	-
<b>Net outgoing resources before other recognised gains and losses</b>		<u>-</u>	<u>(3,669)</u>	<u>(350)</u>	<u>(2,219)</u>	<u>(6,238)</u>	<u>(5,317)</u>
<b>Other recognised gains and losses</b>							
Actuarial gains on defined benefit pension schemes	18	-	2,448	-	-	2,448	1,862
<b>Net movement in funds</b>		<u>-</u>	<u>(1,221)</u>	<u>(350)</u>	<u>(2,219)</u>	<u>(3,790)</u>	<u>(3,455)</u>
<b>RECONCILIATION OF FUNDS</b>							
Net movement in funds		-	(1,221)	(350)	(2,219)	(3,790)	(3,455)
Fund balances brought forward	15	2,582	254,170	615	2,219	259,586	263,041
<b>Total funds carried forward</b>	15	<u>2,582</u>	<u>252,949</u>	<u>265</u>	<u>-</u>	<u>255,796</u>	<u>259,586</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  
The Movements on Reserves are also described in note 15  
The notes on pages 22 to 38 form part of these accounts*

# SOUTHBANK CENTRE

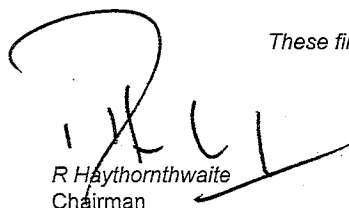
BALANCE SHEET

31 March 2011

	Notes	Group		Charity	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Fixed assets</b>					
Tangible assets	7	286,435	291,890	286,435	291,890
<b>Current assets</b>					
Stocks of consumables and goods held for resale		273	148	102	36
Debtors - due within one year	10	3,022	3,746	5,051	5,802
Debtors - due after one year	10	880	1,920	880	1,920
Cash at bank and in hand					
Cash in ACE escrow account	11	-	6	-	6
Cash in restricted access escrow account	22	5,022	5,003	5,022	5,003
Cash held in other accounts		4,238	4,131	2,650	3,849
<b>Total current assets</b>		<b>13,435</b>	<b>14,954</b>	<b>13,705</b>	<b>16,616</b>
<b>Current liabilities</b>					
Amounts due within one year					
Creditors	11	(17,259)	(16,475)	(17,529)	(18,137)
Deferred income for ACE escrow account	11	-	(6)	-	(6)
		<b>(17,259)</b>	<b>(16,481)</b>	<b>(17,529)</b>	<b>(18,143)</b>
<b>Net current liabilities</b>		<b>(3,824)</b>	<b>(1,527)</b>	<b>(3,824)</b>	<b>(1,527)</b>
<b>Total assets less current liabilities</b>		<b>282,611</b>	<b>290,363</b>	<b>282,611</b>	<b>290,363</b>
Creditors: amounts falling due after one year	13	(23,779)	(24,699)	(23,779)	(24,699)
<b>Net assets excluding pension plan liability</b>		<b>258,832</b>	<b>265,664</b>	<b>258,832</b>	<b>265,664</b>
Pension plan liability	18	(3,036)	(6,078)	(3,036)	(6,078)
<b>Net assets including pension plan liability</b>		<b>255,796</b>	<b>259,586</b>	<b>255,796</b>	<b>259,586</b>
<b>RESERVES</b>					
<b>Unrestricted funds</b>					
General reserves	15	2,582	2,582	2,582	2,582
Capital and other reserves - designated funds	15	255,985	260,248	255,985	260,248
Pension plan	15 & 18	(3,036)	(6,078)	(3,036)	(6,078)
<b>Total designated funds</b>		<b>252,949</b>	<b>254,170</b>	<b>252,949</b>	<b>254,170</b>
<b>Total unrestricted funds</b>	15	<b>255,531</b>	<b>256,752</b>	<b>255,531</b>	<b>256,752</b>
<b>Restricted funds</b>					
Restricted projects: Funds received in advance of costs	15	265	615	265	615
Long Term restricted funds	15	-	2,219	-	2,219
<b>Total restricted funds</b>	15	<b>265</b>	<b>2,834</b>	<b>265</b>	<b>2,834</b>
<b>Total funds</b>	15	<b>255,796</b>	<b>259,586</b>	<b>255,796</b>	<b>259,586</b>

The notes on pages 22 to 38 form part of these accounts

These financial statements were approved by the Board on 1 July 2011 and signed on its behalf by

  
R Haythornthwaite  
Chairman



**SOUTHBANK CENTRE**  
**CONSOLIDATED CASH FLOW STATEMENT**  
Year ended 31 March 2011

	Note	2011 £'000	2010 £'000
<b>CASH FLOW STATEMENT</b>			
Net cash inflow from operating activities		3,580	3,227
Returns on investment and servicing of finance			
Interest received	9	2	326
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	(2,955)	(3,260)
Net cash inflow before financing		627	293
Financing			
Net payment on exit of capital allowance scheme	22	-	(29,853)
Loan repayments		(507)	(432)
Increase / (decrease) in cash balances		120	(29,992)

<b>RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATIONS</b>			
Net incoming resources before transfers		(6,238)	(5,317)
Interest received		(2)	(326)
Depreciation charge	7	8,380	8,248
Loss on disposal of fixed assets		30	67
(Increase)/decrease in stock		(125)	87
Decrease in debtors	10	1,764	2,779
Decrease/(increase) in creditors		371	(1,627)
Decrease in provision	14	-	(199)
Decrease in escrow deferral	11	(6)	(389)
FRS17 movements		(594)	(96)
Net cash inflow from operating activities		3,580	3,227

<b>ANALYSIS OF MOVEMENT IN NET DEBT</b>			
	Balance as at 1 April 2010 £'000	Movement in the year £'000	Balance as at 30 March 2011 £'000
Cash in hand and at bank	4,131	107	4,238
Cash in ACE escrow account	6	(6)	-
Cash in escrow account	5,003	19	5,022
	9,140	120	9,260
Debt due within one year	(507)	(58)	(565)
Debt due after more than one year	(22,128)	565	(21,563)
	(22,635)	507	(22,128)
Total	(13,495)	627	(12,868)

<b>ANALYSIS OF CHANGES IN CASH DURING THE YEAR</b>			
	2011 £'000	2010 £'000	
Opening balance	9,140	39,132	
Net cash inflow/(outflow)	120	(29,992)	
Closing balance	9,260	9,140	


National Audit Office

**1 STATEMENT OF ACCOUNTING POLICIES**

The principal accounting policies have been applied consistently in dealing with items which are considered material in relation to SC'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 1993 as amended by the Charities Act 2006, and under the historical cost accounting rules, as modified to include the revaluation of land and buildings. SC'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 15 to the accounts.

The financial statements are drawn up on the going concern basis which assumes SC will continue in operational existence for the foreseeable future. The Board have given due consideration to the working capital and cash flow requirements of SC. The Board consider SC's current and forecast cash resources, taken together with a committed overdraft facility with Lloyds Banking Group plc, under which £5.5m is available until 30 June 2012, to be sufficient to cover the working capital requirements of the charity for at least 12 months.

SC 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 SC to March 2015. The going concern basis used in the preparation of these financial statements is based upon the expectation that SC will continue to receive sufficient support from the Arts Council England to match its expenditure with the total revenue it raises.

Certain prior year comparative figures have been reclassified to provide meaningful comparisons with the current year. In particular, Income from Activities for Generating Funds has increased by £1.2m and Income from Artistic Activities decreased by an equivalent amount from that previously reported due to the reallocation of service charge and rental income. SC believes this treatment better reflects the nature of the income. Direct cost for the Events Team have been reallocated from Cost of Fundraising to Retail and Trading costs to better align with the treatment of Events income. Likewise Membership cost have been allocated as a direct Retail and Trading cost to align with the treatment of membership income (previously treated as a support cost). Support costs have been recalculated accordingly. This has resulted in a £1.2m increase in Retail and Trading costs, a £0.7m decrease in the Cost of Fundraising and a £0.5m decrease in costs from Artistic Activities in the Consolidated Statement of Financial Activities from that previously reported.

b) *Group financial statements*

In October 2004, the Charity Commission issued a uniting direction for SC (charity 298909) and the South Bank Foundation Limited (charity 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 SC and its old registration removed.

A wholly owned subsidiary, Southbank Centre Enterprises Limited (SCEL), was established in April 2007 to undertake certain commercial activities on behalf of SC. The results of SCEL are consolidated with the financial statements for SC. In accordance with paragraph 397 of the SORP, a separate Statement of Financial Activities for SC is not shown. The net deficit for the charity for the year was £6,832,000 (2010:£3,455,000). See note 19 for details on the results of SCEL.

c) *Income recognition*

All incoming resources are recognised in the SOFA 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 revenue grant received from Arts Council England is recognised within incoming resources in the period to which it relates. Any revenue 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, fund raising, 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 the project to refurbish the Royal Festival Hall.

Governance costs comprise those incurred as a result of constitutional and statutory requirements.

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 2008. 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 50 years for the Royal Festival Hall, 31 years for the Queen Elizabeth Hall and 38 years for the Hayward Gallery. New additions since 1 April 2004 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 SOFA in the year in which it is incurred.



**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*

This is the first year SC had applied FRS-30 *Heritage Assets*.

SC maintains the following types of heritage assets:

- The Southbank Centre Collection of artwork and sculptures that have been gifted to SC.
- 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 SC.
- The Saison Poetry Library which houses the Arts Council poetry collection, the most comprehensive and accessible collection of modern poetry in Britain.

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

The Trustee believes that given the incomparable nature of SC's heritage assets even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by SC and users of the accounts. As a result, SC 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 SC's best estimate of fair value if donated to SC. Purchases under £1,000 and costs associated with renovating and maintaining SC'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.

h) *Leases*

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



**1 STATEMENT OF ACCOUNTING POLICIES**

h) *Pensions*

SC 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 SC in an independently administered trust fund. SC 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 SC 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 SOFA 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 SOFA 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.

i) *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 SOFA.

j) *Derivative Financial instruments*

SC uses derivative financial instruments to reduce exposure to interest rate movements. SC 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.

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

k) *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.

l) *Change in Accounting Policy*

There have been no changes in accounting policy.



National Audit Office

NOTES TO THE FINANCIAL STATEMENTS

**2 NET INCOMING/ (OUTGOING) RESOURCES**

2011  
£'000

2010  
£'000

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

Leasing of land and buildings	95	95
Depreciation charge on assets wholly owned by SC	8,380	8,248
Auditors' remuneration (SC)	58	61
Auditors' remuneration (Foundation)	-	1
Auditors' remuneration (Enterprises)	5	5
Tax and other fees	10	-
Liability insurance for Governors and employees	14	14
(Losses)/ gains on foreign exchange differences	(24)	1

The auditors' remuneration relates to both PricewaterhouseCoopers LLP (£55,000) and the National Audit Office (£8,000).

**3 ACTIVITIES FOR GENERATING FUNDS AND INCOMING RESOURCES FROM CHARITABLE ACTIVITIES**

	Group		Charity	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<i>Activities for generating funds</i>				
Retail and catalogue sales	1,366	1,639	411	507
Concessions and car parking	6,063	5,791	4,439	4,104
Hall and space rentals	1,550	644	-	-
Memberships and subscriptions	416	380	416	380
Other income	422	488	57	173
	<u>9,817</u>	<u>8,942</u>	<u>5,323</u>	<u>5,164</u>
<i>Incoming resources from charitable activities</i>				
Own promotions	4,881	5,410	4,881	5,410
Artistic rentals	1,772	1,766	1,772	1,766
Other income	1,732	392	1,732	392
	<u>8,385</u>	<u>7,568</u>	<u>8,385</u>	<u>7,568</u>


 National Audit Office

NOTES TO THE FINANCIAL STATEMENTS

**4 STAFF COSTS**

	Total	
	2011 £'000	2010 £'000
Employee costs amounted to:		
Wages and salaries	11,979	12,011
Social security costs	1,155	1,158
Pension costs	1,029	711
	<u>14,163</u>	<u>13,880</u>

The Governors (Chairman and Board members) are not remunerated for their services and Governors received £nil (2010: £nil) in reimbursement of travelling and subsistence expenses.

The average full time equivalent employees were:

	2011 No.	2010 No.
Operational services	77	74
Marketing	38	37
Press & Communications	12	12
Visitor Services	79	74
Retail Sale and Space Rental	25	25
Fundraising	10	11
Performing arts	52	47
Hayward Gallery	48	44
Management and administration	41	37
	<u>382</u>	<u>361</u>

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

	2011 No.	2010 No.
£60,001 - £70,000	6	5
£70,001 - £80,000	7	7
£80,001 - £90,000	2	2
£90,001 - £100,000	-	1
£190,001 - £200,000	-	1
£200,001 - £210,000	1	-
	<u>16</u>	<u>16</u>

Of these 16 employees, SC paid pension contributions of £46,286 (2010: £41,134) for 8 employees (2010: 7 employees) who were members of the defined contribution section of the pension scheme. SC also paid contributions to 4 employees (2010: 4 employees) who were members of the defined benefit section of the pension scheme and 1 employee (2010: 1 employee) who was a member of a personal pension plan.

NOTES TO THE FINANCIAL STATEMENTS

**5 TOTAL RESOURCES EXPENDED**

Group	Direct costs	Support costs	Total	
	£'000	£'000	2011 £'000	2010 £'000
<b>Costs of generating funds</b>				
Costs of fundraising	453	351	804	868
Retail and trading	2,739	3,261	6,000	5,420
<b>Costs of charitable activities</b>				
Artistic activity	14,180	28,269	42,449	41,492
Construction and refurbishment	616	-	616	1,696
<b>Governance Costs</b>	128	193	321	315
	<u>18,116</u>	<u>32,074</u>	<u>50,190</u>	<u>49,791</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	2011 £'000	2010 £'000
<b>Costs of generating funds</b>							
Costs of fundraising	110	95	31	74	41	351	393
Retail and trading	662	572	78	1,248	701	3,261	3,182
<b>Costs of charitable activities</b>							
Artistic activity	3,427	2,960	568	13,646	7,668	28,269	26,639
<b>Governance</b>	193	-	-	-	-	193	184
<b>TOTAL support costs</b>	<u>4,392</u>	<u>3,627</u>	<u>677</u>	<u>14,968</u>	<u>8,410</u>	<u>32,074</u>	<u>30,398</u>

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

- Management and Administration: allocated based on direct spend on those activities
- Marketing and Communications: allocated based on direct spend on those activities
- Human Resources: allocated on basis of headcount
- Operations: allocated on basis of floor area
- Depreciation: allocated on basis of floor area
- Governance allocated based on 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:

	2011 £'000	2010 £'000
Internal audit	51	50
External audit	63	67
Governors' indemnity insurance	14	14
Apportionment of directors' and Governors' costs	193	184
	<u>321</u>	<u>315</u>





NOTES TO THE FINANCIAL STATEMENTS

**7 FIXED 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 2010	276,814	23,865	2,535	5,258	6,423	173	315,068
Additions	1,123	323	565	469	425	50	2,955
Transfers	1,079	383	(1,738)	266	10	-	-
Disposals	-	-	-	(53)	(316)	-	(369)
At 31 March 2011	<u>279,016</u>	<u>24,571</u>	<u>1,362</u>	<u>5,940</u>	<u>6,542</u>	<u>223</u>	<u>317,654</u>
<i>Depreciation</i>							
At 1 April 2010	12,499	3,245	-	2,640	4,621	173	23,178
Charge in year	6,287	717	-	409	963	4	8,380
On disposals	-	-	-	(31)	(308)	-	(339)
At 31 March 2011	<u>18,786</u>	<u>3,962</u>	<u>-</u>	<u>3,018</u>	<u>5,276</u>	<u>177</u>	<u>31,219</u>
<i>Net Book Value</i>							
At 31 March 2011	<u>260,230</u>	<u>20,609</u>	<u>1,362</u>	<u>2,922</u>	<u>1,266</u>	<u>46</u>	<u>286,435</u>
At 31 March 2010	<u>264,315</u>	<u>20,620</u>	<u>2,535</u>	<u>2,618</u>	<u>1,802</u>	<u>-</u>	<u>291,890</u>

Included in plant and machinery are assets costing £679,653 (2010: £679,653), at a net book value of £Nil (2010: £Nil), acquired under a finance lease. Depreciation on these assets in the year was £Nil (2010: £Nil).

Land and buildings comprise SC's three concert halls, the Hayward Gallery, the extension building, the Waterloo Undercroft, Jubilee Gardens and the National Film Theatre (NFT), the last of which is occupied by the British Film Institute (BFI) 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 the SCL by the Arts Council commencing on 1 April 1988 and the amount shown for land and buildings represents SC'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 SC. SC 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 SC of its interest in the NFT 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 SC and on the underlease from SC to the BFI. 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 the Arts Council. In the event that the property is disposed of before that date SC will have to repay a proportion of the lottery funds.

The leasehold interest in SC vested in SCL having approximately 131 years unexpired at an annual ground rent of a peppercorn was valued on a Depreciated Replacement Cost (DRC) basis as at 31 March 2008 using figures provided by Davis Langdon LLP. The DRC valuation of £273.2m compared to a net book value immediately prior to the valuation of £105.5m, and the surplus of £167.7m on revaluation was credited to the capital reserve.

The extension building for the RFH 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 ACE and Heritage Lottery Fund over the RFH as security for their contributions towards the refurbishment of the RFH. ACE 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.

SC aims to have the majority of the collection on display to the public around SC's 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 SC'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 the Arts Council England.

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



NOTES TO THE FINANCIAL STATEMENTS

**9 INTEREST RECEIVABLE**

	Group		Charity	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Interest receivable on bank deposits	2	6	1	5
Interest receivable on escrow accounts	-	320	-	320
	<u>2</u>	<u>326</u>	<u>1</u>	<u>325</u>

**10 DEBTORS**

	Group		Charity	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade debtors	620	802	505	413
Other debtors	166	364	132	346
Amounts owed from group undertakings	-	-	2,286	2,563
Prepayments and accrued income	<u>2,236</u>	<u>2,580</u>	<u>2,128</u>	<u>2,480</u>
	3,022	3,746	5,051	5,802
Accrued income - due after one year	880	1,920	880	1,920
	<u>3,902</u>	<u>5,666</u>	<u>5,931</u>	<u>7,722</u>

Accrued income due after one year relates to donations which have met the conditions for recognition in the SOFA, but which have not yet been received.

**11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Charity	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade creditors and accruals	5,942	7,122	5,876	7,036
Loans	565	507	565	507
Amounts owed to group undertakings	-	-	1,486	1,881
Advanced ticket sales	2,766	2,072	2,766	2,072
Capital allowance creditor (refer note 22)	5,022	5,003	5,022	5,003
Deferred income	<u>2,964</u>	<u>1,771</u>	<u>1,814</u>	<u>1,638</u>
	17,259	16,475	17,529	18,137
Deferred income for ACE escrow balance	-	6	-	6
Total creditors due within one year	<u>17,259</u>	<u>16,481</u>	<u>17,529</u>	<u>18,143</u>

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



NOTES TO THE FINANCIAL STATEMENTS

**12 DEFERRED INCOME**

	Group		Charity	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Deferred income brought forward	4,348	5,226	4,215	5,084
Released in the year	(1,981)	(2,697)	(1,848)	(2,555)
Deferred in the year	2,813	1,819	1,663	1,686
Deferred income carried forward	<u>5,180</u>	<u>4,348</u>	<u>4,030</u>	<u>4,215</u>

**13 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	Group		Charity	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Deferred income	2,216	2,571	2,216	2,571
Loans	<u>21,563</u>	<u>22,128</u>	<u>21,563</u>	<u>22,128</u>
	<u>23,779</u>	<u>24,699</u>	<u>23,779</u>	<u>24,699</u>

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

Within one year	565	507	565	507
Within two to five years	2,679	2,380	2,679	2,380
After five years	18,884	19,748	18,884	19,748
	<u>22,128</u>	<u>22,635</u>	<u>22,128</u>	<u>22,635</u>
Less future finance charges	-	-	-	-
	<u>22,128</u>	<u>22,635</u>	<u>22,128</u>	<u>22,635</u>

The loans consist of the following facilities:

- A term loan of £17.1m provided by AIB Group (UK) plc which is secured by a fixed charge over the RFH extension building. This facility is repayable in quarterly instalments until 2027.
- A term loan facility of £7.7m provided by Lloyds TSB Bank plc of which £5.1m was utilised as at year end. This is secured on the income stream from the Festival Riverside retail units and is repayable in instalments over 20 years.

The organisation entered into an interest rate swap arrangement in January 2008. Based on SC'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 SC.

NOTES TO THE FINANCIAL STATEMENTS

**14 PROVISIONS FOR LIABILITIES AND CHARGES**

	2011 £'000	2010 £'000
At beginning of financial year (1 April)	-	199
Charged to profit and loss account	-	(199)
At end of financial year (31 March)	-	-

**15 GROUP & CHARITY RESERVES**

	Balances as at 1 April 2010 £'000	Movements in resources		Other Gains & Losses £'000	Transfers in/(out) £'000	Balances as at 31 March 2011 £'000
		Incoming £'000	Outgoing £'000			
<i>Unrestricted funds</i>						
General reserves (operations)	2,582	41,863	(41,367)	-	(496)	2,582
Capital reserve (designated fund)	260,244	162	(7,385)	-	2,637	255,658
Non core artistic activity (designated fund)	4	50	(32)	-	(22)	-
Hayward Gallery Prints Fund	-	49	-	-	-	49
Pay award fund	-	-	-	-	278	278
Pension plan (note 18)	(6,078)	594	-	2,448	-	(3,036)
<b>Total unrestricted funds</b>	<b>256,752</b>	<b>42,718</b>	<b>(48,784)</b>	<b>2,448</b>	<b>2,397</b>	<b>255,531</b>
<i>Restricted funds</i>						
Waterloo Undercroft	93	-	-	-	(93)	-
Capital Reserve: Public Realm	2,126	564	(386)	-	(2,304)	-
Projects: Income	615	670	(1,020)	-	-	265
<b>Total restricted funds</b>	<b>2,834</b>	<b>1,234</b>	<b>(1,406)</b>	<b>-</b>	<b>(2,397)</b>	<b>265</b>
<b>TOTAL funds (2011)</b>	<b>259,586</b>	<b>43,952</b>	<b>(50,190)</b>	<b>2,448</b>	<b>-</b>	<b>255,796</b>
<b>TOTAL funds (2010)</b>	<b>263,041</b>	<b>44,474</b>	<b>(49,791)</b>	<b>1,862</b>	<b>-</b>	<b>259,586</b>

*Unrestricted funds* There are five unrestricted funds, four of which are designated:

- The general reserves are available for spending on SC's charitable objectives.
- The capital reserve reflects funds designated for future maintenance & capital projects, costs relating to capital projects (including interest) and depreciation on funded assets.
- The non-core artistic fund reflects funds available to spend on certain artistic activities that are not considered part of SC's core operating activities. These activities finished during the year and the balance of remaining funds transferred to the capital reserve.
- The Hayward Gallery Prints Fund relates to prints that SC 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 separately record the funds available to purchase prints.
- The Pay Award Fund relates to the 2010/11 pay award that was not finalised at 31 March 2011. SC has set aside funds towards the cost of a negotiated settlement in 2011/12. This designated fund will be fully utilised or released in the 2011/12 financial year.

*Restricted funds* There are currently three restricted funds:

- a fund to release grants against depreciation on the Waterloo Undercroft.
- a fund to hold unspent grants received for various public realm developments.
- a fund to hold restricted grants received in advance of expenditure for operating projects.

The transfer of £2.3m from the restricted capital reserve to the unrestricted capital reserve reflects grants utilised on public realm and other developments where restriction terms have been fulfilled and a release of grants against depreciation on the Waterloo Undercroft.

A transfer of £0.5m from unrestricted operations fund (general reserves) represents a contribution of £0.2m to the unrestricted capital reserve for the ongoing future maintenance and development of the site and £0.3m set aside towards the cost of a negotiated settlement for the 2011/12 pay award.

NOTES TO THE FINANCIAL STATEMENTS

**15 GROUP & CHARITY RESERVES - CONTINUED**

**Analysis of net assets between funds**

	Restricted funds £'000	Unrestricted funds £'000	Total funds 2011 £'000	2010 £'000
Tangible fixed assets	-	286,435	286,435	291,890
Current assets	5,287	8,148	13,435	14,954
Current liabilities	(5,022)	(12,237)	(17,259)	(16,481)
Creditors falling due after one year	-	(23,779)	(23,779)	(24,699)
Pension plan liability	-	(3,036)	(3,036)	(6,078)
	<u>265</u>	<u>255,531</u>	<u>255,796</u>	<u>259,586</u>

**16 CAPITAL COMMITMENTS**

	2011 £'000	2010 £'000
<i>Group and charity</i>		
Authorised and contracted	<u>1,414</u>	<u>1,302</u>

Capital commitments relate to the Organ refurbishment project.

**17 COMMITMENTS UNDER OPERATING LEASES**

	2011 £'000	2010 £'000
<i>Group and charity</i>		
Operating leases which expire:		
<i>Land and buildings</i>		
Within one year	-	-
Within five years	-	-
After more than five years	<u>95</u>	<u>95</u>
	<u>95</u>	<u>95</u>



National Audit Office

**18 PENSION COSTS**

SC 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

SC's contributions to the defined contribution section in the period ended 31 March 2011 were £260,000 (2010: £219,000). As at 31 March 2011 outstanding contributions were £23,000 (2010: £19,000). SC contributes between 5% and 7% 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 2008 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.

SC contributed to the defined benefit section at the rate of 22.9% of pensionable salaries. In addition, SC has been contributing £37,667 per month into the defined benefit section of the plan during the year. Employees currently pay 1.5% of pensionable salary.

Regular employer contributions to the plan in 2011/12 are estimated to be £381,000. Deficit contributions to the plan in 2011/12 are expected to be £452,000.

The major assumptions used by the actuary were:

	2011	2010	2009
	%	%	%
<u>Main financial assumptions</u>			
Rate of increase in pensionable salaries	4.20	4.40	3.65
Increase in pensions (guaranteed)	3.50	3.65	3.10
Increase in pensions (discretionary)	0.00	0.00	0.00
Discount rate	5.40	5.55	6.45
RPI Inflation rate	3.75	3.95	3.20
CPI Inflation rate	2.85	N/A	N/A
<u>Expected asset return</u>			
Expected return on equities	7.70	8.40	7.90
Expected return on bonds	4.20	4.50	4.00
Expected return on property	7.50	8.90	6.90
London Eye Asset	5.11	4.50	-

\* 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 23.2 years if they are male and for a further 24.9 years if they are female. For a member who retires in 2031 at age 65 the assumptions are that they will live on average for a further 25.6 years after retirement if they are male and for a further 26.4 years after retirement if they are female.

The results of the actuarial valuation as at 1 April 2008 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 SC'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, SC 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 SC recognises that circumstances can change and it may be appropriate at a future date to re-introduce an allowance for discretionary pension increases.

	2011	2010
	£'000	£'000
Employer's pension contribution		
Defined benefit section	818	795
Defined contribution section	260	219
	<u>1,078</u>	<u>1,014</u>

The assets and liabilities in the pension plan were:

	2011	2010	2009
	£'000	£'000	£'000
Equities	19,621	18,118	13,105
Bonds	7,060	6,297	4,890
Property	1,208	1,105	963
Cash	115	93	191
London Eye Asset	5,100	5,118	-
Market value of Defined Contribution assets	<u>3,193</u>	<u>2,615</u>	<u>1,851</u>
Total market value of assets	36,297	33,346	21,000
Present value of liabilities	<u>(39,333)</u>	<u>(39,424)</u>	<u>(29,036)</u>
Deficit in plan	<u>(3,036)</u>	<u>(6,078)</u>	<u>(8,036)</u>

NOTES TO THE FINANCIAL STATEMENTS

18 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.

	2011 £'000	2010 £'000
Reconciliation of present value of defined benefit liabilities		
At 1 April	36,809	27,185
Current service cost	327	259
Interest cost	2,028	1,733
Contributions by plan participants	24	27
Actuarial (gains)/ losses on plan liabilities	(2,155)	8,538
Benefits paid	(893)	(933)
Curtailments	-	-
At 31 March	36,140	36,809
Reconciliation of fair value of defined benefit assets		
At 1 April	30,731	19,149
Expected return on plan assets	2,131	1,293
Actuarial gains on plan assets	293	5,282
London Eye Asset	-	5,118
Contributions by the Employer	818	795
Contributions by Plan participants	24	27
Net benefits paid out	(893)	(933)
At 31 March	33,104	30,731
Actual return on plan assets	2011 £'000	2010 £'000
Expected return on plan assets	2,131	1,293
Actuarial gain on plan assets	293	5,282
Actual return on plan assets	2,424	6,575
Analysis of actuarial losses recognised:	2011 £'000	2010 £'000
Actual return less expected return on the plan's assets	293	5,282
Experience gains and losses arising on the plan's liabilities	(2)	(1)
Changes in assumptions underlying the present value of the plan's liabilities	2,157	(8,537)
Contribution of London Eye Asset	-	5,118
Actuarial gain	2,448	1,862
Expected return on the assets of the pension plan	2,131	1,293
Interest on the liabilities of the pension plan	(2,028)	(1,733)
	103	(440)

History of experience gains and losses	2011	2010	2009	2008	2007
Difference between expected and actual return on plan's assets					
Amount (£'000)	293	5,282	(5,170)	(2,397)	91
Percentage	0.9%	17.2%	(27.0%)	(10.3%)	0.4%
Experience gains and losses on the plan's liabilities					
Amount (£'000)	(2)	(1)	(1,441)	3	(2)
Percentage	(0.0%)	(0.0%)	(5.3%)	-	0.0%
Total amount recognised in SOFA					
Amount (£'000)	2,448	1,862	(7,909)	3,734	1,393
Percentage	6.8%	5.1%	(29.1%)	15.8%	4.8%

SC 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 assumed long-term rate of return on each asset class is set out within this note. 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 2011 rounded to the nearest 0.25% per annum.

The fair value of scheme's assets increased by £2.4m during the period. This was mainly due to increases in expected returns on the plan's assets.

The financial assumptions underlying the calculation of the liabilities changed during the year. Following the UK Government's announcement in summer 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long-term which means that the Plan liabilities have reduced.

Overall, the pension deficit has reduced by approximately £3.0m, mainly due to higher expected return on plan assets.



NOTES TO THE FINANCIAL STATEMENTS

**19 SUBSIDIARIES**

SCL owns 100% of the issued share capital of SBF (100 shares of £1 each) and SCEL (100 shares of £1 each), on behalf of SC. SC is the controlling party (ultimate parent company) and therefore consolidates these subsidiaries into its accounts. SCL only acts in the capacity of sole Corporate Trustee of SC through the appointment of its directors (the Governors of SC) and is otherwise dormant.

i) *South Bank Foundation Limited*

SBF was formed for the purpose of fundraising for SC, particularly its site development. SBF was dormant during the year.

ii) *Southbank Centre Enterprises Limited*

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

	2011 £	2010 £
Turnover	5,960,221	4,350,105
Cost of sales	(660,291)	(772,298)
Administrative expenses	(1,484,766)	(1,015,437)
Operating profit	<u>3,815,164</u>	<u>2,562,370</u>
Interest receivable	573	550
Net result	<u>3,815,737</u>	<u>2,562,920</u>
Gift aid due to parent company	<u>(3,815,737)</u>	<u>(2,562,920)</u>
Retained in the subsidiary	-	-

As at the balance sheet date the aggregate amount of SCEL assets, liabilities, share capital and reserves was:

	2011 £	2010 £
Current assets	2,014,988	904,346
Creditors: amount falling due within one year	<u>(2,014,888)</u>	<u>(904,246)</u>
Total net assets	<u>100</u>	<u>100</u>
Represented by:		
Share capital	100	100
Profit and loss account	-	-
	<u>100</u>	<u>100</u>



**20 CONTINGENT LIABILITIES**

Group and charity

*Legal actions*

As a body managing 21 acres of public spaces, SC is currently facing a small number of personal injury claims. An accrual has been made for anticipated liabilities. All remaining claims are strongly denied by SC, which believes that they are without foundation. SC has taken legal advice on these cases and believes that there is a reasonable prospect of defending them successfully. However SC has a contingent liability to the extent legal claims exceed the accrual for anticipated liabilities.

*Capital grant funding*

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

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

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

**21 RELATED PARTIES**

Rick Haythornthwaite (Chairman of SC) is also Chairman of Network Rail and Mastercard. SC has an agreement with Mastercard to provide corporate sponsorship of £1.8m for annual festivals to be held during the next three summers. At year-end, SC has received £0.6m relating to sponsorship of the Festival of Britain and in line with SC's accounting policy this has been included in deferred income at 31 March 2011.

SC paid rent to Network Rail for the rental of the Hungerford Arches 150-152 & 156-167 of £98,000 during the financial year.

SC sub-leases Hungerford Arches 150-152 to Topoloksi Memoir Limited (TML), a charitable company, and received net rent of £56,000 in the financial year. SC is a director/trustee of TML but does not have significant influence or control over TML.

SC is a trustee of the Jubilee Garden Charitable Trust which will maintain Jubilee Gardens after its redevelopment. SC has had no transactions with the Jubilee Gardens Charitable Trust and does not have significant influence or control over the Trust.

The American Fund for Southbank Centre inc ("American Fund") provides a tax efficient method for SC to receive donations from US based donors. Donations received are transferred to SC and recognised by SC on a cash basis. During the year, SC received no donations from the American Fund. The American Fund has USD11,000 in cash balances available to transfer to SC at 31 March 2011.

Cornelius Medvei (Governor) is a partner of Eversheds LLP. SC incurred fees from Evershed LLP for procurement advice of £4,750 during the financial year. Eversheds LLP is also a corporate partner of SC and paid £40,000 annual membership fee.

Jamie Ritblat (Governor) is Chief Executive of Delancey Real Estate Asset Management Limited ("Delancey"). During the year, SC 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 a director and Chief Executive of Sotheby's and is also a Governor of SCL. SC 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 SCL 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 SC.

SC, as sponsoring employer, has agreed to pay for the expenses of the Southbank Centre Retirement Plan. These expenses were £214,000 for the year ended 31 March 2011.

**22 CAPITAL ALLOWANCE SCHEME**

The capital allowance scheme was a financing arrangement whereby the lessor funds the construction of certain assets relating to the refurbishment of the RFH. SC exited the capital allowance scheme on 28 February 2010.

At 31 March 2011, an additional £5.0m is likely to be payable to the lessor (included in accounts payable, refer note 11), and this is fully offset by cash held in the name of SC in a restricted access bank account.

