

Presented to Parliament pursuant to S47 (3) of the Local Government Act 1985

SOUTHBANK CENTRE



National Audit Office

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2010

SOUTHBANK CENTRE

Registered as a Charity No. 298909

Principal office

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SOUTHBANK CENTRE

TRUSTEES

Board of Governors

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

<i>Governor</i>	<i>Appointed</i>	<i>Resigned/ retired</i>	<i>Last re-appointment</i>
Mr Rick Haythornthwaite (Chairman)	31 January 2008		
Mr Robin Woodhead (Deputy Chairman)	22 September 2004		02 July 2008
Mr Mark Ball	21 November 2007	01 July 2009	
Dame Vivien Duffield	24 June 2002		02 July 2008
Ms Susan Gilchrist	24 September 2008		
Mr Michael Hamlyn	02 July 2003	01 July 2009	05 July 2006
Mr Brent Hansen	24 September 2008		
Ms Fionnuala Hogan	21 November 2007		
Baroness Young of Hornsey, OBE	18 September 2002	14 January 2010	02 July 2008
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 Edward Walker-Arnott	28 June 1999	01 July 2009	02 July 2008
Mr Mark Wallinger	29 April 2010		
Mr Julian Lloyd Webber	30 September 2009		

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

C = Chairman of that Committee

CHIEF EXECUTIVE AND OTHER CURRENT SENIOR STAFF

Alan Bishop	Chief Executive
Jude Kelly, OBE	Artistic Director
Victoria Cheetham	Director of Arts
John Greenwood	Interim Finance and Commercial Director
Rachel Holmes	Head of Literature & the Spoken Word
Anne Hynes	Trading Director
Shân MacLennan	Creative Director, Learning and Participation
Catherine Mallyon	Director of Operations
Marshall Marcus, ARCM	Head of Music
Mike McCart	Director of Partnerships and Policy
Nicky Molloy	Head of Dance and Performance
Gillian Moore, MBE	Head of Contemporary Culture
Rebecca Preston	Director of Development
Ralph Rugoff	Director, Hayward Gallery

SOUTHBANK CENTRE

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SOUTHBANK CENTRE

CHAIRMAN'S FOREWORD

It speaks volumes for the resilience, creativity, innovation and dynamism of Southbank Centre that despite the financial challenges of 2009, the organisation is thriving. Under the stewardship of our new Chief Executive, Alan Bishop, and our Artistic Director, Jude Kelly, Southbank Centre can boast both artistic and commercial success. The past year has seen a 10% increase in footfall on the site, 3 million people buying tickets to our events and 20 million visitors to our site, as well as fistfuls of enthusiastic reviews for our wonderful shows.

Southbank Centre's mission is to be the world's most inspiring centre for the arts. Given the vitality and cohesion of the artistic programme, the care and attention that we give our artists, the quality of experience that we are offering our visitors and audiences, it seems increasingly clear that we are succeeding in our mission.

The phenomenal success of the week-long residency of conductor Gustavo Dudamel and the Simon Bolivar Youth Orchestra of Venezuela is proof of this. When I wrote to you last year, two of their *Shell Classic International* shows had sold out over ten months in advance. This was a mere glimpse of the excitement and energy that was to come. Their performances met with rapturous responses from audiences and critics, with 60,000 people flocking to the Royal Festival Hall to see their shows. Their residency also set a benchmark for participation and engagement in classical music, with over 4,000 under-16s attending concerts, and even more attending the open rehearsals and watching live relays of the performances. A Family Concert on the final day of their residency was enjoyed by approximately 1,500 young people including those from Lambeth, Liverpool and Norwich, who are taking part in the *In Harmony* project – the UK pilot 'sistema' scheme. After the music finished, the Venezuelans draped their own Venezuelan-coloured sashes round the necks of their British counterparts, in a spontaneous gesture which to me underlined everything that was so moving and so magical about their time with us.

It was an exciting year overall for classical music at Southbank Centre. Iconic pianist, conductor and humanitarian Daniel Barenboim performed the complete Beethoven Piano Concertos; the Takács Quartet's complete cycle of Beethoven's monumental string quartets in six concerts met with widespread acclaim; and residents, the London Philharmonic Orchestra, celebrated the works of Schnittke and Sibelius to delighted audiences, while the Philharmonic Orchestra's Viennese exploration, *City of Dreams*, culminated in a memorable performance of Berg's *Wozzeck*.

The summer season was a spectacular success. The bold decision to make jazz legend Ornette Coleman the curator of 2009's *Meltdown* resulted in both a critical and commercial success, and the Hayward Gallery's *Walking in My Mind* show proved to be hugely popular. *Le Cirque Invisible*, which returned to Britain for the first time in 13 years enchanted 13,600 people over its three week run. 3.15 million individuals visited the site during the summer, and 60,000 people attended over 100 free events in the same period.

Our *Christmas Unwrapped* season was equally exciting and encouraged diverse audiences to the site with an array of popular shows from hip-hop spectacular *Into the Hoods* to a magical interpretation of *Peter and the Wolf* which was supported by the Esmée Fairburn Foundation as part of a new initiative to commission music for children.

CHAIRMAN'S FOREWORD

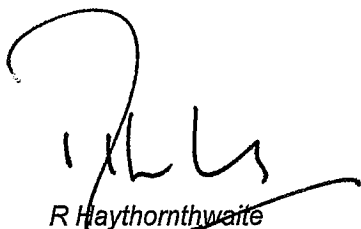
Innovation and a sense of adventure lie at the heart of much of our artistic output. Our recent project, *Collision*, supported by the Paul Hamlyn Foundation, saw our Artists in Residence each identifying another artist they wished to join them in creative dialogue and performance. It was a radical development for the artists, audience and staff of Southbank Centre and tested current creative and organisational practice to forge new artistic relationships and ways of working. Our recent sold-out production, *Concerto for Beatboxer and Orchestra* – a new form of musical composition bringing together beat-boxing and classical music – exemplifies our genre-defying and multi-disciplinary approach. Another recent work, *The Rime of the Ancient Mariner*, combined literature, music and performance. All these shows were originally created and performed at Southbank Centre, putting us at the cutting edge of art.

Following the streamlining of Board process and structures, I was delighted this year to welcome three new members to our Board of Governors: Julian Lloyd Webber, Cornelius Medvei and Jamie Ritblat. All three bring exceptional talent and skills, and strengthen our Board immensely.

Although we are all very aware of the challenges ahead, we have so far shown financial resilience to the broader economic situation. The support of the Arts Council through a period when our resources were under pressure has been critical and we are very grateful to them for their continued support. In addition to their crucial revenue grant, the Arts Council's funding also enabled urgent repairs and renewal for the Hayward Gallery, without which it could not have reopened. We also remain grateful for the long term support of many other donors and sponsors as well as those already mentioned, including Louis Vuitton and the Columbia Foundation who have joined us to support new initiatives. We have capitalised on that support by bringing more structure to our excellent artistic programming, reliability to our day-to-day operations and discipline to our financial affairs.

To this end, I am pleased to report that the financial results for this year exceed expectations. In 2009/10 operating income exceeded £40m for the second year in a row. This, coupled with prudent financial management, has resulted in a breakeven result after a small transfer to reserves. Despite the challenging economic environment, box office income has held up well and the restaurants and cafes on the site continue to trade strongly.

As we look ahead to what will undoubtedly be a demanding future, Southbank Centre is determined to continue at the excellent level we have achieved in all aspects of our art and business, while at the same time acting as energetic ambassadors for what we offer. These are exciting times for us, with the 60th anniversary of the Festival of Britain in 2011 and the Olympics in 2012 opening up a myriad of fascinating opportunities. We share one voice and one ambition in continuing to show the world Southbank Centre at its incomparable, innovative and inspirational best.



R Haythornthwaite
Chairman
Southbank Centre Limited
As Trustee for Southbank Centre

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 registered charity and company limited by guarantee, which was formed for the purposes of fundraising for SC, particularly for its site development. This company is now winding down and future fundraising will be undertaken by SC. Due to the Charity Commission issuing a uniting direction for registration purposes for SC (charity 298909) and SBF (charity 1054105) in October 2004, the accounts of SBF have been aggregated on a line by line basis. See note 18 for details of SBF's results.

SCL 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 18 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 four sub-committees to assist its governance of SC: Audit and Risk, Strategy, Remuneration, and the Nominations and Governance Committees.

REPORT OF THE TRUSTEE

Mission

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

Vision

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

Objectives

SC's objectives are:

- 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.

REPORT OF THE TRUSTEE

Performing and Visual Arts

The year began with a bang with the phenomenally successful week-long residency of Gustavo Dudamel and the Simon Bolivar Youth Orchestra of Venezuela. 60,000 visitors came to the Royal Festival Hall to experience the orchestra, with two of the concerts selling out ten months in advance. The sheer energy of the performances, as well as the free access events (including a live relay of the concerts to a packed Clore Ballroom) garnered a joyful reception from audiences and critics alike.

April's *Ether Festival* presented new work in music, technology and digital media. As well as two sell out shows from David Byrne and memorable performances by Peaches and Plaid, the Festival introduced a new strand of talks and spoken word.

Voicelab's work continued to weave through much of Southbank Centre's programme in May. Vocal training course Pulse presented a week-long series of lunchtime concerts. The *Various Voices Festival* offered a wide variety of opportunities for Voicelab singers, including the *With One Voice* concert in Royal Festival Hall, and the Handel Choral Club allowed the public to explore and celebrate Handel's choral range through a series of open workshops.

Ornette Coleman's *Meltdown* in June was a critical and commercial success. It was one of the most successful in the Festival's 16-year history, with six sold-out shows and five-star reviews for concerts by Patti Smith, Baaba Maal, Bobby McFerrin, Tony Allen and Ornette himself.

The Hayward Gallery's celebrated *Walking in My Mind* exhibition drew huge crowds during its run from June to September, and also included a diverse and well attended programme of free and participatory work.

The *London Literature Festival* took literature in the context of other art forms as its central theme. Several major pieces of work were commissioned, including an outdoor performance of *The Rime of the Ancient Mariner*, involving a choir of 150 local schoolchildren. The show's success meant it was revived later in the year as part of the *Imagine Children's Festival*.

The Cultural Olympiad Weekend was celebrated at Southbank Centre in late July with a programme including a large-scale free offer. Highlights included performances and dance workshops from Artist in Residence Gauri Sharma Tripathi and a day of free activity from *Tomorrow's Warriors*, who specialise in training young jazz players.

Following a national tour, July also saw the opening of *Unpopular Culture* – a selection of paintings, sculpture and photographs from the Arts Council Collection by Grayson Perry - at the Longside Gallery, with the special addition of a new collaborative project undertaken with the British Film Institute (BFI). Titled *Nostalgia for the Bad Times*, the project took the form of a screening of six films from the 40s, 50s and 60s chosen by Perry from the BFI archives. The exhibition proved immensely popular with the public, and attracted visitors in their tens of thousands.

Southbank Centre played host to *Le Cirque Invisible* in August, a magical two person circus with French clown Jean-Baptiste Thiérrée and brilliant transformation artist Victoria Chaplin, which charmed packed houses, playing 18 shows over three weeks and selling 13,600 tickets.

REPORT OF THE TRUSTEE

The *Dare2Dance* project began in July as a high profile street dance competition in The Clore Ballroom. The winning all-girl hip-hop groups spent the summer training with top female dancers and the final energetic night showcased the results of their work to a sell-out Purcell Room audience.

Uderbelly, the upside-down purple cow on the Hungerford Car Park, provided Southbank Centre with a new, alternative venue for summer. Aimed at audiences that might not otherwise come to Southbank Centre, Uderbelly provided a programme of comedy, performance, music and work for family audiences.

In September *Festival* – a weekend of installations, activities and performances that took an innovative look at insects in culture - attracted huge press coverage, and pictures of the large Termite Mound installation appeared in several national newspapers, including the Guardian and the Times.

The Arts Council Collection's touring show *Bridget Riley: Flashback* opened at the Walker Art Gallery, Liverpool in September. The first of a new series of monographic exhibitions from the Collection, the show will tour to Birmingham, Norwich and Southampton.

Autumn saw the beginning of our classical music season. The major statement at the opening of the season was the beginning of the 10 month long *Bernstein Project*, under the artistic stewardship of Marin Alsop. A day of free participatory events gave the public the opportunity to spend a day immersed in the music and ideas of Leonard Bernstein. The day culminated in the eclectic *Mass Rally*, which brought together a cacophony of orchestras to celebrate Bernstein's legacy.

Chamber music played a key role in the classical programme. Leonidas Kavakos' *Artist in Focus* season was received enthusiastically by critics and audiences alike. The Takács Quartet's performance of Beethoven's String Quartets established them as the pre-eminent string quartet playing today and featured in many of the press's 2009 highlights of the year. November saw the completion of the London Philharmonic Orchestra's bold series featuring the music of Russian master Alfred Schnittke.

Ed Ruscha: Fifty Years of Painting, the Hayward Gallery autumn show, opened to critical acclaim. This was the first retrospective to focus exclusively on the paintings of the Los Angeles based artist, one of the most influential and pioneering American artists of the past half century.

The highly unusual *Spaghetti Western Orchestra* performed two sell out nights in the Queen Elizabeth Hall in October with a quirky take on the film music of Ennio Morricone, using instruments, found objects and characters which made Clint Eastwood a star.

London Jazz Festival in November saw performances from both international and emerging artists. A particular concert of note was the first ever recital in the UK by Steve Martin, performing with the Steep Canyon Rangers for an evening of bluegrass and banjo.

From the family cabaret spectacular *Sandi Toksvig's Christmas Cracker*, to street-dance extravaganza *Into the Hoods*, the *Christmas Unwrapped* season offered audiences a wide variety of events for all ages and tastes. An enchanted forest was created on The Clore Ballroom and the ever popular inflatable igloo returned. Over 15,000 people attended free events and join-in activity over the Christmas season.

The Oscar winning film *Peter and the Wolf* returned for a second run in Royal Festival Hall in December, this time with a script by Simon Armitage and starring Burn Gorman. This re-imagined show, with live music from the Philharmonia Orchestra, formed part of Southbank Centre's mission of introducing children to classical music.

REPORT OF THE TRUSTEE

The much anticipated return of Daniel Barenboim in January saw the iconic pianist-conductor returning to the Royal Festival Hall to perform Beethoven's Piano Concertos. The concerts attracted five-star reviews and rapturous audience responses – including from the hundreds of people who watched free relays of the shows in The Clore Ballroom.

Mime artists from all over Europe came to the *International Mime Festival 2010*, and in particular Circus Klezmer, who performed during their riveting and riotous show in the QEH to delighted audience during the second weekend of the festival in January.

Hayward Touring's *Magic Show* opened at Quad, Derby on 28 November 2009, with a number of magicians and performers participating in the launch. Its opening at the Grundy Art Gallery in Blackpool coincided with the annual international Magic Convention in Blackpool.

As the climax of our three year programme of Artists in Residence, funded by Paul Hamlyn Foundation, Jude Kelly and the Artists in Residence led an intensive and innovative two week artist school, *Collision*, in January. Our Artists in Residence invited international practitioners from many different disciplines, including architects, writers, artists and musicians. Two weeks of *Collision* saw a cross-pollination of ideas and creativity, with the artist working collaboratively in workshops, showcases and dinners.

February saw the return of the *Imagine* Children's Festival, greatly expanded and more ambitious than before. Imagine featured three major commissions: Shlomo and Anna Meredith's sold-out and critically acclaimed *Beatbox Concerto*, which melded contemporary and classical music together in an exciting new direction; the return of the installation *The Bibliomancer's Dream*, expanded to cover even more of our public spaces; and a new production of *The Rime of the Ancient Mariner*. It sold out four QEH shows, including performances for schools.

The Chopin Bicentenary Celebrations in the spring gave rise to two of the most important piano recitals of the year from Krystian Zimerman and Maurizio Pollini, both of which took place on each of the disputed birth days of Chopin.

The *Election 10 series* in March tackled major political issues in the run up to the election. Think tanks from across the political spectrum went head-to-head to debate policy in *Think Tank Clash*, hosted by Rory Bremner. *Waiting*, a performance in which five women speak and sing their experiences of war, featured powerful performances from Juliet Stevenson, Phyllida Law and classical soprano Anna Dennis.

Commercial

Southbank Centre Enterprises Limited (SCEL), a wholly owned subsidiary undertakes certain commercial activities on behalf of SC. The profit on ordinary activities for the year was £2.5m (2009: £2.8m)

SC's commercial activities traded well during 2009/10, despite the ongoing recession and bad weather at the start of 2010. The strong Euro during the year encouraged more European visitors, which contributed towards an overall 3% increase on net sales over last year. In particular, the Festival Riverside retail units experienced strong sales benefiting from the increased tourist footfall.

REPORT OF THE TRUSTEE

Turnover from the bars and cafés within the three venues was 9% above the previous year, with the summer Central Bar Terrace performing extremely well for a full season from April to October. This result would have been better had Concrete not been closed for the Hayward refurbishment from mid January to the year-end.

Our own retail (at the Hayward Gallery, RFH and Festival Terrace) was below budget due to the closure of the Hayward Gallery, weak sales in the RFH and lower opening sales for the new E-Shop. However, the Festival Terrace shop traded well (3% improvement in sales on the previous year). Ice cream sales in the RFH were below previous year, due to lack of a summer show, however, increased by 94% in the QEH due to the strong summer and Christmas performances.

Other income, including Car park net sales and filming and photography were down on the previous year, reflecting the economic climate.

Development

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

In 2009/10 the Development Department achieved net revenue income of £1,294,000 from Corporate, Trusts and Foundations and Individuals.

A total of £643,000 net income was achieved via Development Events, which incorporates the hiring of space for commercial and development purposes.

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 (further details are given in note 7 to the accounts).

Hayward Gallery Essential Works

The next stage of incremental development of the Hayward Gallery has been completed. This phase of repairs and renewals has focused on enhancing the conditions in which artwork is presented and stored, and to improve levels of safety for visitors and staff. Vivid Interiors Ltd were awarded the fifteen week construction contract. Many of the works completed are not immediately visible, for example: improvements to the climate control; upgrades to the fire safety and security systems; and reconfiguration of art handling and storage areas. Other changes will be more visible, for example: gallery toilets; safety glass; and new internal gallery doors and walls. SC would like to acknowledge and thank the Arts Council for their support and funding which enabled these essential works to be undertaken.

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 with a view to securing consent in the early autumn. The new retail units could be trading in the spring of 2012 in time for the Cultural Olympiad.

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

Jubilee Gardens

It is planned and hoped that Jubilee Gardens will be transformed into world-class gardens in time for 2012 and to become a key London 'live site' for the Cultural Olympiad in July and August 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

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 continued uncertainty due to the unresolved listing status of the buildings remains a major risk to our strategy.

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 £0.2m to the designated unrestricted capital reserve.

<u>Income</u>	2010		2009	
	£'000		£'000	
Donations and sponsorship	1,374	3%	2,615	6%
Arts Council revenue grant	23,472	57%	23,715	55%
Activities for generating funds	7,705	19%	8,218	19%
Income from artistic activity	8,692	21%	8,693	20%
Interest receivable	6	0%	182	0%
Total operating income	41,249	100%	43,423	100%

SC operating income exceeded £40m for the second consecutive year despite the impact of the global recession. The reduction in operating income was mainly due to the very tough fundraising environment with SC being unable to attract sponsorship or major gifts around this year's exhibition programme.

Income from charitable activities remained comparable with prior year, with *Le Cirque Invisible*, *Sandi Toksvig's Christmas Cracker* and *Into the Hoods* all exceeding budgeted ticket income.

REPORT OF THE TRUSTEEExpenditure

	2010		2009	
	£'000		£'000	
Expenditure				
Cost of fundraising	1,465	4%	1,655	4%
Retail and trading	3,792	9%	4,329	11%
Cost of charitable activities	35,441	86%	34,545	84%
Governance	314	1%	389	1%
Total operating expenditure	41,012	100%	40,918	100%

Operating expenditure has remained at a similar level to 2008/09. The reduction in the cost of fundraising and retail and trading activities has been offset by an increase in the costs of charitable activities (86% of total operating expenditure compared to 83% in 2009). This reflects SC's commitment to maintaining and growing our artistic programme while continuing to be financially prudent.

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 had general reserves of £2.6m (2009: £2.6m) which is sufficient to cover approximately four weeks of budgeted operating expenditure. The Governors will aim to maintain general reserves 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. 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. This 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 2011, to be sufficient to cover the working capital requirements of the charity for at least 12 months.

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 2011. 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 £6.1m on the Pension Plan as at 31 March 2010 represents a decrease of £2.0m on the deficit shown at the previous year end. The Governors and Trustees have reduced the deficit during the year by assigning future rental income on London Eye to the pension scheme, and increasing SC's contributions to the pension plan. 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 Developments

As part of a strategy to fund operations and to cover the shortfall between the estimated costs of refurbishment and secured donations, the Board secured additional borrowings including an overdraft facility of £5.5m with Lloyds TSB Bank plc. This is drawn down as and when required. This facility is available until 30 June 2011 and is reviewable annually.

Funding Agreement

The financial statements are prepared according to the policies set out in note 1.

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.

2009/10 represents the second year of the current three-year funding cycle from Arts Council England.

Risk Management

The Governors have examined the major strategic, business and operational risks which the charity faces, and have drawn up a risk register for continual assessment of those risks. The following are the major risks identified:

- Impact of a decrease in funding from the Arts Council on SC's artistic activities and operations.
- 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.
- Failure to implement the artistic vision.
- Compliance with health and safety legislation and policy.

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 2010 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).

1 July 2010

By Order of the Board


R Haythornthwaite

Chairman
Southbank Centre Limited
as Trustee for Southbank Centre



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.

THE INDEPENDENT AUDITOR'S REPORT TO SOUTHBANK CENTRE LIMITED, THE SOLE CORPORATE TRUSTEE OF SOUTHBANK CENTRE

I have audited the financial statements of the Southbank Centre group for the year ended 31 March 2010 which comprises the Group Operating Statement, Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Trustee and auditor

The Trustee is responsible for preparing the Annual Report, which comprises the Chairman's Foreword, and the Report of Trustee, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for ensuring the regularity of financial transactions funded by Parliament. These responsibilities are set out in the Statement of Trustee's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view, are prepared in accordance with the Charities Act 1993, and whether, in all material respects, the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the information given in the Report of the Trustee is not consistent with those financial statements, if the charity has not kept sufficient accounting records, if the charity's financial statements are not in agreement with these accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

THE INDEPENDENT AUDITOR'S REPORT TO SOUTHBANK CENTRE LIMITED, THE SOLE CORPORATE TRUSTEE OF SOUTHBANK CENTRE

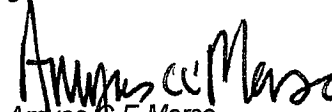
Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Southbank Centre group and charity as at 31 March 2010, and of the group's incoming resources and application of resources, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993.

Opinion on Regularity

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


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

5th July 2010

SOUTHBANK CENTRE
GROUP OPERATING STATEMENT
Year ended 31 March 2010

2010
£'000

2009
£'000

INCOME

Donations and sponsorships	1,374	2,615
Arts Council revenue grant	23,472	23,715
Activities for generating funds	7,705	8,218
Income from artistic activity	8,692	8,693
Interest receivable	6	182
Total operating income	41,249	43,423

EXPENDITURE

Costs of fundraising	1,465	1,655
Retail and trading	3,792	4,329
Costs of charitable activities	35,441	34,545
Governance	314	389
Total operating expenditure	41,012	40,918

TRANSFERS

Use of restricted project funds	3	-
Capital and maintenance fund	(240)	-

OPERATING SURPLUS **2,505**

RECONCILIATION TO STATEMENT OF FINANCIAL ACTIVITIES

Operating Surplus	-	2,505
Income for Restricted Funds (Long Term)	2,253	2,666
Income for Designated Funds	972	7,789
Total resources expended - Designated Funds	(8,659)	(7,720)
Total resources expended - Restricted Funds (Long Term)	(120)	-
Use of restricted reserves	(3)	-
Transfer to capital and maintenance fund	240	-
Net incoming resources before other recognised gains and losses	(5,317)	5,240

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 £737,000 of costs directly attributable to the Development team, and £728,000 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 2010

	Notes	Unrestricted funds		Restricted funds		Total funds	
		Operations	Designated	Projects	Long Term	2010	2009
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Incoming resources from generated funds							
<i>Voluntary income</i>							
Donations and sponsorship		435	127	939	-	1,501	3,325
Arts Council revenue grant		23,472	-	-	-	23,472	23,715
Funding for assets under construction		-	412	-	2,253	2,665	7,754
<i>Activities for generating funds</i>	3	7,705	17	-	-	7,722	8,254
<i>Interest receivable</i>	8	6	320	-	-	326	1,937
Incoming resources from charitable activities							
Artistic activity	3	8,692	96	-	-	8,788	8,894
Total incoming resources		40,310	972	939	2,253	44,474	53,879
RESOURCES EXPENDED							
Costs of generating funds							
Costs of fundraising	5	1,465	113	-	-	1,578	1,767
Retail and trading	5	3,792	468	-	-	4,260	4,793
		5,257	581	-	-	5,838	6,560
Costs of charitable activities							
Artistic activity	5	34,499	6,501	942	-	41,942	40,898
Construction and refurbishment	5	-	1,576	-	120	1,696	792
		34,499	8,077	942	120	43,638	41,690
Governance costs							
	5	314	1	-	-	315	389
Total resources expended	5	40,070	8,659	942	120	49,791	48,639
Net incoming/ (outgoing) resources before transfers		240	(7,687)	(3)	2,133	(5,317)	5,240
Transfers between funds	14	(240)	3,865	-	(3,625)	-	-
Net (outgoing)/incoming resources before other recognised gains and losses		-	(3,822)	(3)	(1,492)	(5,317)	5,240
Other recognised gains and losses							
Actuarial gains/(losses) on defined benefit pension schemes	17	-	1,862	-	-	1,862	(7,909)
Net movement in funds		-	(1,960)	(3)	(1,492)	(3,455)	(2,669)
RECONCILIATION OF FUNDS							
Net movement in funds		-	(1,960)	(3)	(1,492)	(3,455)	(2,669)
Fund balances brought forward	14	2,582	256,130	618	3,711	263,041	265,710
Total funds carried forward	14	2,582	254,170	615	2,219	259,586	263,041

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 14
The notes on pages 21 to 36 form part of these accounts

SOUTHBANK CENTRE

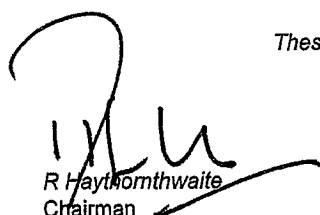
BALANCE SHEET

31 March 2010

	Notes	Group		Charity	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Fixed assets					
Tangible assets	7	291,890	296,945	291,890	296,945
Current assets					
Stocks of consumables and goods held for resale		148	235	36	81
Debtors - due within one year	9	3,746	6,450	5,802	8,928
Debtors - due after one year	9	1,920	1,995	1,920	1,995
Cash at bank and in hand					
Short term deposits		-	1,750	-	1,010
Cash in ACE escrow account	10	6	395	6	395
Cash in restricted access escrow account	21	5,003	35,593	5,003	35,593
Cash held in other accounts		4,131	1,394	3,849	1,375
Total current assets		14,954	47,812	16,616	49,377
Current liabilities					
Amounts due within one year					
Creditors	10	(19,046)	(15,148)	(20,708)	(16,713)
Deferred income for ACE escrow account	10	(6)	(395)	(6)	(395)
		(19,052)	(15,543)	(20,714)	(17,108)
Net current (liabilities)/ assets		(4,098)	32,269	(4,098)	32,269
Total assets less current liabilities		287,792	329,214	287,792	329,214
Creditors: amounts falling due after one year	12	(22,128)	(57,938)	(22,128)	(57,938)
Provision for liabilities and charges	13	-	(199)	-	(199)
Net assets excluding pension plan liability		265,664	271,077	265,664	271,077
Pension plan liability	17	(6,078)	(8,036)	(6,078)	(8,036)
Net assets including pension plan liability		259,586	263,041	259,586	263,041
RESERVES					
Unrestricted funds					
General reserves	14	2,582	2,582	2,582	2,582
Capital and other reserves - designated funds		260,248	264,166	260,248	264,166
Pension plan	14 & 17	(6,078)	(8,036)	(6,078)	(8,036)
Total designated funds		254,170	256,130	254,170	256,130
Total unrestricted funds	14	256,752	258,712	256,752	258,712
Restricted funds					
Restricted projects: Funds received in advance of costs	14	615	618	615	618
Long Term restricted funds		2,219	3,711	2,219	3,711
Total restricted funds	14	2,834	4,329	2,834	4,329
Total funds	14	259,586	263,041	259,586	263,041

The notes on pages 21 to 36 form part of these accounts

These financial statements were approved by the Board on 1 July 2010 and signed on its behalf by


R Haythornthwaite
Chairman

SOUTHBANK CENTRE
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2010

	Note	2010 £'000	2009 £'000
CASH FLOW STATEMENT			
Net cash inflow from operating activities		3,227	10,361
Returns on investment and servicing of finance			
Interest received	8	326	1,937
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	(3,260)	(2,818)
Net cash inflow before financing		293	9,480
Financing			
Net payment on exit of capital allowance scheme	21	(29,853)	-
Loan repayments		(432)	(471)
(Decrease) / increase in cash balances		(29,992)	9,009

RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATIONS			
Net incoming resources before transfers		(5,317)	5,240
Interest received		(326)	(1,937)
Depreciation charge	7	8,248	7,936
Loss on disposal of fixed assets		67	-
Decrease/(Increase) in stock		87	18
Decrease/(Increase) in debtors	9	2,779	1,407
Decrease in creditors		(1,627)	(2,278)
(Decrease)/Increase in provision	13	(199)	199
Increase/(Decrease) in escrow deferral	10	(389)	13
FRS17 movements		(96)	(237)
Net cash inflow from operating activities		3,227	10,361

ANALYSIS OF MOVEMENT IN NET DEBT			
	Balance as at 1 April 2009 £'000	Movement in the year £'000	Balance as at 30 March 2010 £'000
Cash on short term deposit	1,750	(1,750)	-
Cash in hand and at bank	1,394	2,737	4,131
Cash in ACE escrow account	395	(389)	6
Cash in escrow account	35,593	(30,590)	5,003
	39,132	(29,992)	9,140
Debt due within one year	(545)	38	(507)
Debt due after more than one year	(22,522)	394	(22,128)
	(23,067)	432	(22,635)
Total	16,065	(29,560)	(13,495)

ANALYSIS OF CHANGES IN CASH DURING THE YEAR			
	2010 £'000	2009 £'000	
Opening balance	39,132	30,123	
Net cash (outflow)/inflow	(29,992)	9,009	
Closing balance	9,140	39,132	

NOTES TO THE FINANCIAL STATEMENTS

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 operation fund, which is an unrestricted general fund. The Board has additionally set aside reserves for future capital and artistic projects, in unrestricted designated funds. Further details are given in note 14 to the 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 2011, 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 2011. 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, the basis of allocating support costs has been adjusted to better align with SC's internal reporting (refer note 6 for further details).

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. As a consequence, the accounts of the South Bank Foundation Limited have been aggregated on a line by line basis. See note 18 for details on South Bank Foundation results.

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 £3,454,000 (2009:£2,668,000). See note 18 for details on the results of SCEL.

c) *Income recognition*

All incoming resources are recognised in the SOFA when the Charity 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 are 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 are 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 have been 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.

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) At the outset of the RFH refurbishment, part of the project was agreed with the auditors to be of a maintenance nature (23%) and part of an enhancement nature (77%) - see note 7 for details. Consequently, of costs incurred, 77% has been capitalised and 23% has been written off to the SOFA.
- v) The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. There have been no such events during the year and therefore no impairment.

f) *Stocks*

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

g) *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 ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling 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 new interest payable over the periods of the contracts.

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 level 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*

From 1 April 2009, site development costs have been included in Land and Buildings (Other) and depreciated over 10 years, their expected period of future economic benefit. Previously these costs were included in Assets under Construction and not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

2 NET INCOMING/ (OUTGOING) RESOURCES

2010
£'000

2009
£'000

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

Leasing of land and buildings	95	103
Depreciation charge on assets wholly owned by SC	8,248	7,936
Auditors' remuneration (SC)	61	60
Auditors' remuneration (Foundation)	1	2
Auditors' remuneration (Enterprises)	5	5
Liability insurance for Governors and employees	14	16
Gains/(losses) on foreign exchange differences	1	14

The auditors' remuneration relates to both PricewaterhouseCoopers LLP (£58,000) and the National Audit Office (£9,000).

3 ACTIVITIES FOR GENERATING FUNDS AND INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Group		Charity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
<i>Activities for generating funds</i>				
Retail and catalogue sales	1,639	1,813	507	434
Concessions and car parking	4,021	4,152	1,933	2,058
Hall and space rentals	644	983	-	-
Memberships and subscriptions	380	378	380	378
Other income	1,038	928	723	674
	<u>7,722</u>	<u>8,254</u>	<u>3,543</u>	<u>3,544</u>
<i>Incoming resources from charitable activities</i>				
Own promotions	5,410	5,466	5,410	5,466
Hall and space rentals	3,277	3,220	3,937	3,844
Other income	101	208	101	7
	<u>8,788</u>	<u>8,894</u>	<u>9,448</u>	<u>9,317</u>

NOTES TO THE FINANCIAL STATEMENTS

4 STAFF COSTS

	Total	
	2010	2009
	£'000	£'000
Employee costs amounted to:		
Wages and salaries	12,852	12,755
Social security costs	1,158	1,150
Pension costs	711	981
	<u>14,721</u>	<u>14,886</u>

Of these costs, £23,000 (2009: £133,000) relating to the site development team has been capitalised within fixed assets.

The Governors (Chairman and Board members) are not remunerated for their services and Governors received £nil (2009: £nil) in reimbursement of travelling and subsistence expenses.

The average full time equivalent employees were:

	2010	2009
	No.	No.
Operational services	74	74
Marketing	37	35
Press & Communications	12	12
Visitor Services	74	82
Retail Sales	18	19
Fundraising	18	19
Performing arts	47	48
Hayward Gallery	44	45
Site project team	-	1
Management and administration	37	41
	<u>361</u>	<u>376</u>

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

	2010	2009
	No.	No.
£60,001 - £70,000	5	8
£70,001 - £80,000	7	7
£80,001 - £90,000	2	3
£90,001 - £100,000	1	-
£130,001 - £140,000	-	1
£180,001 - £190,000	-	1
£190,001 - £200,000	1	-
	<u>16</u>	<u>20</u>

Of these 16 employees, SC paid pension contributions of £41,134 (2009: £57,668) for 7 employees (2009: 9 employees) who were members of the defined contribution section of the pension scheme. SC also paid contributions to 4 employees (2009: 5 employees) who were members of the defined benefit section of the pension scheme and 1 employee (2009: 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	2010 £'000	2009 £'000
Costs of generating funds				
Costs of fundraising	737	841	1,578	1,767
Retail and trading	1,702	2,558	4,260	4,793
Costs of charitable activities				
Artistic activity	12,853	29,089	41,942	40,898
Construction and refurbishment	1,696	-	1,696	792
Governance Costs	131	184	315	389
	<u>17,119</u>	<u>32,672</u>	<u>49,791</u>	<u>48,639</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	2010 £'000	2009 £'000
Costs of generating funds							
Costs of fundraising	196	188	68	254	135	841	886
Retail and trading	453	435	68	1,047	555	2,558	2,659
Costs of charitable activities							
Artistic activity	3,424	3,283	625	14,223	7,534	29,089	27,638
Governance	184	-	-	-	-	184	247
TOTAL support costs	<u>4,257</u>	<u>3,906</u>	<u>761</u>	<u>15,524</u>	<u>8,224</u>	<u>32,672</u>	<u>31,430</u>

Support costs have been allocated to the charity's activities as follows (changes from previous year are noted below):

- Management and Administration: allocated based on direct spend on those activities (2009: Chief Executive department based on estimated time spent on operation activities, others departments were allocated based on headcount)
- Marketing and Communications: allocated based on direct spend on those activities (2009: Based on estimated time spent on those activities)
- Human Resources: allocated on basis of headcount
- Operations: allocated on basis of floor area;
- Depreciation: allocated on basis of floor area (2009: Allocated as a direct cost)
- Governance allocated based on estimated time spent on governance activities.

Prior year comparatives have been reclassified on a basis consistent with that used in the current year. This resulted in an increase in Artistic activity costs of £0.6m, a decrease in retail and trading costs of £0.8m and a £0.2m increase in cost of fundraising costs.

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:

	2010 £'000	2009 £'000
Internal audit	50	59
External audit	67	67
Governors' indemnity insurance	14	16
Apportionment of directors' and Governors' costs	<u>184</u>	<u>247</u>
	<u>315</u>	<u>389</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 2009	276,539	22,838	1,658	4,921	5,794	178	311,928
Additions	275	192	1,857	431	505	-	3,260
Transfers	-	845	(980)	-	135	-	-
Disposals	-	(10)	-	(94)	(11)	(5)	(120)
At 31 March 2010	<u>276,814</u>	<u>23,865</u>	<u>2,535</u>	<u>5,258</u>	<u>6,423</u>	<u>173</u>	<u>315,068</u>
<i>Depreciation</i>							
At 1 April 2009	6,255	2,562	-	2,333	3,668	165	14,983
Charge in year	6,244	683	-	350	962	9	8,248
On disposals	-	-	-	(43)	(9)	(1)	(53)
At 31 March 2010	<u>12,499</u>	<u>3,245</u>	<u>-</u>	<u>2,640</u>	<u>4,621</u>	<u>173</u>	<u>23,178</u>
<i>Net Book Value</i>							
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>
At 31 March 2009	<u>270,284</u>	<u>20,276</u>	<u>1,658</u>	<u>2,588</u>	<u>2,126</u>	<u>13</u>	<u>296,945</u>

Included in plant and machinery are assets costing £679,653 (2009: £679,653), at a net book value of £Nil (2009: £Nil), acquired under a finance lease. Depreciation on these assets in the year was £Nil (2009: £Nil).

Land and buildings comprise SC's three concert halls, the Hayward Gallery, the extension building, the Waterloo Undercroft, Jubilee Gardens and the NFT, the last of which is occupied by the 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 it 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 value, 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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

8 INTEREST RECEIVABLE

	Group		Charity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Interest receivable on bank deposits	6	180	5	164
Interest receivable on escrow accounts	320	1,757	320	1,757
	<u>326</u>	<u>1,937</u>	<u>325</u>	<u>1,921</u>

9 DEBTORS

	Group		Charity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade debtors	802	1,003	413	854
Other debtors	364	346	346	295
Amounts owed from group undertakings	-	-	2,563	2,774
Prepayments and accrued income	<u>2,580</u>	<u>5,101</u>	<u>2,480</u>	<u>5,005</u>
	3,746	6,450	5,802	8,928
Accrued income - due after one year	<u>1,920</u>	<u>1,995</u>	<u>1,920</u>	<u>1,995</u>
	<u>5,666</u>	<u>8,445</u>	<u>7,722</u>	<u>10,923</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.

The base rent element of income from the London Eye has been prepaid at a discount for the first 18 years of the lease and this is recognised on a straight line basis over the period of the prepayment.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade creditors and accruals	7,122	7,925	7,036	7,889
Obligations under finance leases	-	20	-	20
Loans	507	545	507	545
Amounts owed to group undertakings	-	-	1,881	1,743
Advanced ticket sales	2,072	1,827	2,072	1,827
Capital allowance creditor (refer note 21)	5,003	-	5,003	-
Deferred income	<u>4,342</u>	<u>4,831</u>	<u>4,209</u>	<u>4,689</u>
	19,046	15,148	20,708	16,713
Deferred income for ACE escrow balance	6	395	6	395
Total creditors due within one year	<u>19,052</u>	<u>15,543</u>	<u>20,714</u>	<u>17,108</u>

Deferred income comprises cash received for which the related service, project or expenditure occurs in a future financial year. The deferred income for ACE escrow account consists of capital grant funding received from Arts Council England and the Department for Culture, Media and Sport. This is held in a separate bank account to be utilised to fund future claims for reimbursement of expenditure on the RFH refurbishment project. SC does not have access or entitlement to this money without the explicit approval of Arts Council England for each drawdown.

NOTES TO THE FINANCIAL STATEMENTS

11 DEFERRED INCOME

	Group		Charity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Deferred income brought forward	5,226	10,210	5,084	10,054
Released in the year	(2,697)	(6,881)	(2,555)	(6,725)
Deferred in the year	1,819	1,897	1,686	1,755
Deferred income carried forward	<u>4,348</u>	<u>5,226</u>	<u>4,215</u>	<u>5,084</u>

12 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Charity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Loans	22,128	22,522	22,128	22,522
Obligations under finance leases (refer note 21)	-	35,136	-	35,136
Other creditors	-	280	-	280
	<u>22,128</u>	<u>57,938</u>	<u>22,128</u>	<u>57,938</u>

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

Within one year	507	565	507	565
Within two to five years	2,380	37,705	2,380	37,705
After five years	19,748	20,033	19,748	20,033
	<u>22,635</u>	<u>58,303</u>	<u>22,635</u>	<u>58,303</u>
Less future finance charges	-	(80)	-	(80)
	<u>22,635</u>	<u>58,223</u>	<u>22,635</u>	<u>58,223</u>

The loans consist of the following facilities:

- A term loan of £17.2m 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 £8.1m provided by Lloyds TSB Bank plc of which £5.4m 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

13. PROVISIONS FOR LIABILITIES AND CHARGES

	2010 £'000	2009 £'000
At 1 April 2009	199	199
Charged to profit and loss account	(199)	-
At 31 March 2010	-	199

14. GROUP & CHARITY RESERVES

	Balances as at 1 April 2009 £'000	Movements in resources		Other Gains & Losses £'000	Transfers in/(out) £'000	Balances as at 31 March 2010 £'000
		Incoming £'000	Outgoing £'000			
<i>Unrestricted funds</i>						
General reserves (operations)	2,582	40,310	(40,070)	-	(240)	2,582
Capital reserve (designated fund)	264,166	733	(8,520)	-	3,865	260,244
Non core artistic activity (designated fund)	-	143	(139)	-	-	4
Pension plan (note 17)	(8,036)	96	-	1,862	-	(6,078)
Total unrestricted funds	258,712	41,282	(48,729)	1,862	3,625	256,752
<i>Restricted funds</i>						
Waterloo Undercroft	187	-	-	-	(94)	93
Capital Reserve: Public Realm	3,524	2,253	(120)	-	(3,531)	2,126
Projects: Income	618	939	(942)	-	-	615
Total restricted funds	4,329	3,192	(1,062)	-	(3,625)	2,834
TOTAL funds (2010)	263,041	44,474	(49,791)	1,862	-	259,586
TOTAL funds (2009)	265,710	53,879	(48,639)	(7,909)	-	263,041

Unrestricted funds There are three unrestricted funds, two of which are designated:

- The general reserve represents funds which are available for spending on SC's objectives;
- The capital reserves reflects funds designated for the future maintenance & capital projects, costs relating to capital project (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.

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 £3.5m from the restricted capital reserve to the unrestricted capital reserve reflects interest on capital allowance deposits of £1.7m previously restricted which were received for general use during the year, 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.

The transfer of £0.2m from unrestricted operations fund (general reserves) to the unrestricted capital reserve reflects a contribution to ongoing future maintenance and development of the site.

NOTES TO THE FINANCIAL STATEMENTS

14 GROUP & CHARITY RESERVES - CONTINUED

Analysis of net assets between funds

	Restricted funds £'000	Unrestricted funds £'000	Total funds	
			2010 £'000	2009 £'000
Tangible fixed assets	93	291,797	291,890	296,945
Current assets	7,973	6,981	14,954	47,812
Current liabilities	(5,232)	(13,820)	(19,052)	(16,387)
Creditors falling due after one year	-	(22,128)	(22,128)	(57,094)
Provision for liabilities and charges	-	-	-	(199)
Pension plan liability	-	(6,078)	(6,078)	(8,036)
	<u>2,834</u>	<u>256,752</u>	<u>259,586</u>	<u>263,041</u>

15 CAPITAL COMMITMENTS

<i>Group and charity</i>	2010 £'000	2009 £'000
Authorised and contracted	<u>1,302</u>	<u>1,539</u>

Capital commitments relate to the Hayward refurbishment project.

16 COMMITMENTS UNDER OPERATING LEASES

<i>Group and charity</i>	2010 £'000	2009 £'000
Operating leases which expire:		
<i>Land and buildings</i>		
Within one year	-	4
Within five years	-	-
After more than five years	<u>95</u>	<u>95</u>
	<u>95</u>	<u>99</u>

17 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 2010 were £219,000 (2009: £207,000). As at 31 March 2010 outstanding contributions were £19,000 (2009: £17,000). 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 13.4% of pensionable salaries. In addition, SC has been contributing £27,500 per month into the defined benefit section of the plan since 1 April 2004. This increased to £37,667 per month from June 2009. Employees currently pay 1.5% of pensionable salary.

The major assumptions used by the actuary were:

	2010	2009	2008
	%	%	%
<u>Main financial assumptions</u>			
Rate of increase in pensionable salaries	4.40	3.65	3.70
Increase in pensions (guaranteed) *	3.65	3.10	3.60
Increase in pensions (discretionary) *	0.00	0.00	0.00
Discount rate	5.55	6.45	6.90
Inflation rate	3.95	3.20	3.70
<u>Expected asset return</u>			
Expected return on equities	8.40	7.90	7.75
Expected return on bonds	4.50	4.00	4.50
Expected return on property	8.90	6.90	6.75
London Eye Asset	4.50	-	-

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 years if they are male and for a further 25 years if they are female. For a member who retires in 2030 at age 65 the assumptions are that they will live on average for a further 25.4 years after retirement if they are male and for a further 26.3 years after retirement if they are female.

* 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 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.

	2010	2009
	£'000	£'000
Employer's pension contribution		
Defined benefit section	795	582
Defined contribution section	219	207
	<u>1,014</u>	<u>789</u>

The assets and liabilities in the pension plan were:

	2010	2009	2008
	£'000	£'000	£'000
Equities	18,118	13,105	15,841
Bonds	6,297	4,890	6,035
Property	1,105	963	1,241
Cash	93	191	121
London Eye Asset	5,118	-	-
Market value of Defined Contribution assets	<u>2,615</u>	<u>1,851</u>	<u>1,883</u>
Total market value of assets	33,346	21,000	25,121
Present value of liabilities	<u>(39,424)</u>	<u>(29,036)</u>	<u>(25,485)</u>
Deficit in plan	<u>(6,078)</u>	<u>(8,036)</u>	<u>(364)</u>

17. PENSION COSTS

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.

Reconciliation of present value of defined benefit liabilities	2010 £'000	2009 £'000
At 1 April	27,185	23,602
Current service cost	259	316
Interest cost	1,733	1,603
Contributions by plan participants	27	28
Actuarial losses on plan liabilities	8,538	2,739
Benefits paid	(933)	(1,103)
Curtailments	-	-
At 31 March	<u>36,809</u>	<u>27,185</u>

Reconciliation of fair value of defined benefit assets	2010 £'000	2009 £'000
At 1 April	19,149	23,238
Expected return on plan assets	1,293	1,574
Actuarial gains/(losses) on plan assets	5,282	(5,170)
London Eye Asset	5,118	-
Contributions by the Employer	795	582
Contributions by Plan participants	27	28
Net benefits paid out	(933)	(1,103)
At 31 March	<u>30,731</u>	<u>19,149</u>

Analysis of actuarial losses recognised:	2010 £'000	2009 £'000
Actual return less expected return on the plan's assets	5,282	(5,170)
Experience gains and losses arising on the plan's liabilities	(1)	(1,441)
Changes in assumptions underlying the present value of the plan's liabilities	(8,537)	(1,298)
Contribution of London Eye Asset	5,118	-
Actuarial gain/(loss)	<u>1,862</u>	<u>(7,909)</u>

	2010 £'000	2009 £'000
Expected return on the assets of the pension plan	1,293	1,574
Interest on the liabilities of the pension plan	<u>(1,733)</u>	<u>(1,603)</u>
	<u>(440)</u>	<u>(29)</u>

History of experience gains and losses	2010	2009	2008	2007	2006
Difference between expected and actual return on plan's assets					
Amount (£'000)	5,282	(5,170)	(2,397)	91	2,985
Percentage	17.2%	(27.0%)	(10.3%)	0.4%	13.0%
Experience gains and losses on the plan's liabilities					
Amount (£'000)	(1)	(1,441)	3	(2)	2,194
Percentage	(0.0%)	(5.3%)	-	-	8.0%
Total amount recognised in SOFA					
Amount (£'000)	1,862	(7,909)	3,734	1,393	554
Percentage	5.1%	(29.1%)	15.8%	4.8%	2.0%

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 2010 rounded to the nearest 0.25% per annum.

The fair value of scheme's assets increased by £11.6m during the period. This was mainly due to an actuarial gain on plan assets of £5.3m (mainly reflecting a recovery of losses incurred in 2008/09 financial year) and the assignment by SC of base rent payable from the London Eye Company from 1 August 2018 ("London Eye Asset") to the scheme during the period. This was independently valued at £5.1m.

The financial and demographic assumptions underlying the calculation of the liabilities also changed during the year (in particular, the yield on AA corporate bonds fell compared to the prior year). This led to a rise in the present value of the liabilities by £9.6m.

Overall, the pension deficit has reduced by approximately £2.0m, mainly due to the assignment of London Eye Asset to the scheme during the period valued at £5.1m, offset by an adverse movement of £3.3m (£2009: £7.9m) in the actuarial assumptions mainly caused by a reduction in the discount rate used.

18 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 as 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 is in the process on being wound up with future fundraising to be performed directly by SC. A summary of its Statement of Financial Activities is shown below:

	2010	2009
	£	£
Incoming resources	1,203	36,830
Resources expended	(5,706)	(63,952)
Net expenditure for the year	<u>(4,503)</u>	<u>(27,122)</u>

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

	2010	2009
	£	£
Current assets	9,337	11,103
Creditors: amount falling due within one year	(9,237)	(8,500)
Total net assets	<u>100</u>	<u>4,603</u>
Represented by:		
Share capital	100	100
Reserves: Restricted funds	-	104
Unrestricted funds	-	4,399
	<u>100</u>	<u>4,603</u>

ii) *Southbank Centre Enterprises Limited*

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

	2010	2009
	£	£
Turnover	4,350,105	4,921,848
Cost of sales	(772,298)	(1,055,062)
Administrative expenses	(1,015,437)	(1,109,268)
Operating profit	<u>2,562,370</u>	<u>2,757,518</u>
Interest receivable	550	16,084
Net result	<u>2,562,920</u>	<u>2,773,602</u>
Gift aid due to parent company	(2,562,920)	(2,773,602)
Retained in the subsidiary	-	-

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

	2010	2009
	£	£
Current assets	904,346	1,207,686
Creditors: amount falling due within one year	(904,346)	(1,207,586)
Total net assets	<u>-</u>	<u>100</u>
Represented by:		
Share capital	100	100
Profit and loss account	-	-
	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

19 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 (RFH) refurbishment was financed by capital grants from Arts Council England (ACE) and the Heritage Lottery Fund. A fixed and floating charge was taken out by ACE over the assets of the charity. In the event that SC ceases operating £47.1m would be repayable to ACE under this charge.

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.

20 RELATED PARTIES

Robin Woodhead 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.

21 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. Under the terms of this lease, SC transfers funds into a restricted access bank account in the name of SC and held with a bank which provides a letter of credit in favour of the lessor.

SC exited the capital allowance on 28 February 2010 by making an initial payment to repurchase the lessor interest in the refurbishment of the RFH of £29.8m. On exit, the letter of credit facility was collapsed, and the restricted access bank account was used to pay the lessor. In addition SC received a transfer of £1.8m cash from the restricted bank account to its general funds on exit.

At 31 March 2010, an additional £5.0m is likely to be payable to the lessor (included in accounts payable, refer note 10), and this is fully offset by cash held in the name of SC in a restricted access bank account.