

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

SOUTHBANK CENTRE

National Audit Office

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2012

SOUTHBANK CENTRE

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SOUTHBANK CENTRE

Registered as a Charity No. 298909

Principal office

Belvedere Road
London
SE1 8XX

PROFESSIONAL ADVISORS

Bankers

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4th Floor
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London
EC2V 7HN

AIB Group (UK) plc
9/10 Angel Court
London
EC2R 7AB

Solicitors

Herbert Smith LLP
Exchange House
Primrose Street
London
EC2A 2HS

Pinsent Masons LLP
30 Aylesbury Street
London
EC1R 0ER

Eversheds LLP
One Wood Street
London
EC2V 7WS

Independent Auditors

Comptroller and Auditor General
National Audit Office
Buckingham Palace Road
Victoria
London
SW1W 9SP

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT



SOUTHBANK CENTRE

TRUSTEES

Board of Governors

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

<i>Governor</i>	<i>Appointed</i>	<i>Resigned/ retired</i>	<i>Last re-appointment</i>
Mr Rick Haythornthwaite (Chairman)	31 January 2008		01 July 2011
Mr Robin Woodhead (Deputy Chairman)	22 September 2004		01 July 2011
Mr Nihal Arthanayake	25 January 2011		
Dame Vivien Duffield	24 June 2002		01 July 2011
Ms Susan Gilchrist	24 September 2008		
Mr Brent Hansen	24 September 2008		
Ms Fionnuala Hogan	21 November 2007		01 July 2011
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		
Ms Maggie Semple OBE	23 September 2010		
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, Olympics, Media and Sport for his or her admission as a Member, and after his or her name has been entered in the Register of Members. A Governor usually serves for a period of three years from the Annual General Meeting following the date of their appointment, and may be reappointed for three further periods of three years each, subject to a maximum tenure of twelve years as a Governor.

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

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

<i>Audit and Risk</i>	Fionnuala Hogan (C), 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, Cornelius Medvei, Ursula Owen
<i>Nominations and Governance</i>	Rick Haythornthwaite (C), Dame Vivien Duffield, Brent Hansen, Robin Woodhead
<i>Property</i>	Jamie Ritblat (C), Fionnuala Hogan, Cornelius Medvei, Ursula Owen

C = *Chairman of that Committee*

CHIEF EXECUTIVE AND OTHER CURRENT SENIOR STAFF

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

Alan Bishop	Chief Executive
Jude Kelly, OBE	Artistic Director
Jane Beese	Head of Contemporary Music
Victoria Cheetham	Director of Arts Administration
Stephen Eames	Deputy Finance Director
Sarita Godber	Director of Human Resources
Anne Hynes	Trading Director
Molly Jackson	Finance and Commercial Director
Shân MacLennan	Creative Director, Learning and Participation
Catherine Mallyon	Deputy Chief Executive
Mike McCart	Director of Partnerships and Policy
Wendy Martin	Head of Dance and Performance
Gillian Moore, MBE	Head of Classical Music
Rebecca Preston	Director of Development
Ralph Rugoff	Director, Hayward Gallery
Mark Rushworth	Property Director
Edward Venning	Director of Communications and Marketing

SOUTHBANK CENTRE

CHAIRMAN'S FOREWORD

The opening of the Royal Festival Hall in 1951 set down a glorious and permanent marker about the use of public space for the imagination to flourish and for creativity to be celebrated. This site was never about the few – it was built for the many.

This was the spirit we sought to capture last year during the 60th Anniversary of the Festival of Britain. During our celebrations, an extraordinary 8.5 million people came through the site with 2.8 million engaging with some aspect of the Festival. More than 3,000 artists, including musicians, singers, visual artists, dancers, authors, poets, conductors, DJs and comedians took part in the anniversary celebrations, including Ray Davies, Tracey Emin, Lang Lang, Wayne Hemingway, Billy Bragg, Stewart Lee, Philip Pullman, Tony Benn, Sir Colin Davis, Zaha Hadid and Percy Sledge. Around 300,000 visitors attended ticketed events, and 100,000 enjoyed more than 400 free events and activities on offer, including the Museum of 1951 in the Royal Festival Hall.

The storming success of the Festival of Britain is testament to the success of our festival strategy. Festivals make the best use of our whole site – the outdoor spaces as well as our indoor stages – and allow us to bring art forms together in inventive ways. This is the strategy that will guide the transformation of the Queen Elizabeth Hall and Hayward Gallery complex in the next few years. We are proud custodians of this wonderful festival site and we are determined to preserve and improve it for the enjoyment of generations to come.

I am proud of the efficiency and effectiveness of the way this organisation is run. Nonetheless we still could not cover the basic costs of maintaining this 21-acre site without substantial core funding from Arts Council England. I thank them for their ongoing support.



R Haythornthwaite
Chairman
Southbank Centre Limited
As Trustee for Southbank Centre

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

Legal Framework

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

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

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

Governors and Management

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

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

REPORT OF THE TRUSTEE

Review of the Business

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

Artistic Review

Building on the heritage of the 1951 Festival of Britain, Southbank Centre has evolved an approach to artistic programming based around a series of annual and one-off themed festivals, using these to set up encounters between artists and audiences across artistic platforms, providing multi-layered opportunities for everyone to discover, enjoy and deepen their engagement with the arts. Within this festival structure, our artistic offer is wide ranging, covering contemporary and classical music, performance, dance, visual arts and the spoken word. Each festival programme consists of both ticketed and free events, combining strands drawn from different art forms. The festival themes inspire the animation of the whole site with installations and other interventions, and also our entrepreneurial activities. Festivals by their nature are occasions for celebration and enjoyment, to reflect on the past and explore the future in a spirit of sharing and friendship. They provide a safe environment for tackling difficult issues, making real our ambition to achieve social change for the better through art. During 2011/12 our festivals included:

- Ether (1-28 April): A festival of avant-garde music
- Alchemy (15 – 25 April): An examination of South Asian culture
- Festival of Britain (22 April – 4 September): 60th anniversary celebrations
- Chorus! (13 – 15 May): A weekend of singing and its role in social change
- Ray Davies' Meltdown (10 – 19 June): A week of curated music, comedy, poetry and talks
- London Literature Festival (30 June – 14 July): The capital's premier literature festival
- Death, A Festival for the Living (27 – 29 January): Exploring cultural approaches to death
- Imagine Children's Festival (11 – 26 February): A children's festival with literature at its core
- WOW – Women of the World (9 – 11 March): Celebrating the achievements and potential of women

Through this series of festivals, as well as our ongoing artistic programme, we seek to achieve excellence, engagement, reach, diversity and innovation. Some examples of this are included below. Collaborations with organisations such as Underbelly, Candoco, the Alchemy partners and EQUALS coalition have brought inventiveness, originality and playfulness to our programme. The partnerships with our Artists in Residence and four Resident Orchestras remain an intrinsic part of Southbank Centre's work.

EXCELLENCE

The 60th Anniversary of the Festival of Britain with MasterCard opened in April with the unveiling of an outdoor landscape which paid homage to the landmark 1951 Festival and the South Bank Exhibition. In May, as part of the Festival of Britain celebrations, the Hayward Gallery opened **Tracey Emin: Love is What You Want**. This major survey covered every period of Emin's career, revealing facets of the artist and her work that are often overlooked.

In June **Daniel Barenboim** returned to the Royal Festival Hall. In this final concert of the 2010/11 Shell Classic International season, Pierre Boulez conducted the Staatskapelle Berlin in a programme including Liszt and Wagner.

SOUTHBANK CENTRE

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The **London Literature Festival** in July included events ranging from Alan Hollinghurst's launch of his first book in seven years, to debates on cultural boycotts and student demonstrations to a world premiere production of Jeanette Winterson's *Sexing The Cherry*.

October saw the long-awaited return of **Claudio Abbado with the Lucerne Festival Orchestra** to London. A highlight of the Shell Classic International series, Abbado's appearances were his first London concerts since 2007 as well as his first visits to the Royal Festival Hall since 1999. Soloists of the Lucerne Festival Orchestra gave a chamber music concert including works by Strauss, Schoenberg, and Brahms as part of Southbank Centre's **International Chamber Music Season**.

In November, Resident Orchestra the Philharmonia Orchestra and Principal Conductor and Artistic Advisor Esa-Pekka Salonen concluded their year-long **Infernal Dance: Inside the World of Bela Bartók** series at the Royal Festival Hall with a semi-staged performance of Duke Bluebeard's Castle, directed by Nick Hillel, accompanied by video projections.

ENGAGEMENT

Much of the **Festival of Britain** programme was created in partnership with members of the public and local communities. This included:

- The extensive volunteering programme for the gardeners on the Queen Elizabeth Hall rooftop garden, with gardeners from St Mungo's and Providence Row.
- Members of local boxing clubs taking part in Mayhem Theatre's Beautiful Blows inspired by local history and transforming the Clore Ballroom into a boxing ring.
- The Festival 51 Viewpoints 'outposts' of the 1951 museum on Level 2 of the Festival Hall foyers, curated by four groups who were trained in heritage skills during an intensive course. Members of the groups came from Capital A – a group of mental health, substance abuse and homeless service users from Camden and Islington, Inspire – a community group based in Walworth, young people from Brentfield High school, and members of the Festival of Britain Society with archive volunteers.
- 400 singers from Voicelab creating the finale to the Festival on 4th September.
- Hundreds of young people from Kinetica Bloco holding their summer school as part of the Festival.

In February we presented the **Imagine Children's Festival**. This year, Imagine had a particular emphasis on the lives of looked-after children and how encouraging creative expression can help children who live in difficult circumstances. A highlight of the festival was Tall Tales Tours, created by Telferscot Primary School in Lambeth, Associate Artist Lea Anderson and her company, and performers from Lewisham College.

REACH

Hayward Touring's **British Art Show 7** presented the best of the current contemporary British art scene at regional galleries around the country. Attendances were the highest in the exhibition's thirty year history, with a total of 425,000 visits during its 15-month run across 12 venues in four cities. British Art Show 7 reached young audiences, particularly in two of the cities it toured to; 38% of visitors surveyed in Nottingham, and 23% in Plymouth were aged 16-19.

REPORT OF THE TRUSTEE

The annual Lambeth Music Service Schools' Music Festival attracted an enthusiastic and highly engaged audience of parents, carers, staff and friends of Lambeth schools from all sections of society. This year saw the largest ever number of participating schools – approximately 50 in all, both primary and secondary, from across the borough involving 2,500 children and young people, and a record 75 performing groups.

In October **Candoco Dance Company** celebrated its 20th anniversary with three bold and unexpected commissions at Southbank Centre, presenting different ways of making dance and building on Candoco's rich experience as the company of disabled and non-disabled dancers. Throughout the week of Candoco's celebration of their 20th birthday, the company led a creative laboratory for young dancers and choreographers on the Clore Ballroom.

DIVERSITY

Alchemy built on relationships with leading artists and cultural organizations in the UK and the Indian subcontinent. It examined the region's fast-changing economic and cultural landscape, exploring its relationship with and influence on the UK, the juxtapositions between classical and folk traditions and notions of urban and rural progress. The festival encompassed a wide-ranging programme of contemporary and traditional music and dance, debate, literature, film, craft and fashion. It presented 60 performances and events, two foyer exhibitions and 12 workshops involving over 320 artists, speakers and designers. A team of young people recorded and documented the festival and provided a warm welcome for artists arriving from around the world. The Alchemy Market in Southbank Centre Square, offered food, clothes and designed items and was a significant development from last year's offer.

WOW - Women of the World celebrated the potential and achievement of women through a weekend of debate, networking and performances. The culminating event, Mirth Control: March of the Women saw Sandi Toksvig hosting a groundbreaking night of comedy, stories and music inspired by great women, including an all-female orchestra playing music by overlooked female composers. There were over 100 events in a busy weekend of talks and debates. Speaker highlights included journalist Rosie Boycott, Lynne Franks, Shami Chakrabarti CBE, Camila Batmanghelidjh, Jocelyn Bell Burnell DBE and Maggie Aderin-Pocock MBE, Mumsnet founder Justine Roberts and Dr Kiran Bedi, India's first and highest ranking woman police officer.

ADAD Bloom Festival: Celebrating African Dance, featured rhythm-driven dance from the African Diaspora, including work from Vocab Dance, Ballet Nimba and Maxwell Dance Project, and the London premiere of the Norway-based African and Caribbean company Tabanka Crew. Presented by the Association of Dance of the African Diaspora (ADAD), this event was part of Bloom Festival. As part of this event we hosted the festival's finale, which included a packed weekend of learning and participation-led events including workshops, film screenings and other free events on the Clore Ballroom.

INNOVATION

The Seafarer, devised by Artist in Residence Oliver Coates, allowed audiences to explore the mysterious and normally unseen utility corridors and boilers rooms underneath the Royal Festival Hall. The Seafarer investigated how some of these spaces can be used, and ran throughout the Festival of Britain.

REPORT OF THE TRUSTEE

The Learning and Participation team were a central part of the programming and producing of **Death, A Festival for the Living**. Interactive artworks and installations across the foyers including Candy Chang's *Before I Die*, Sam Winston's *Birthday and Boxed* – fabulous coffins from Ghana and the UK drew huge audiences with stories and emotions to share. As part of our ongoing relationship with Kids Company, over 100 children and young people opened the festival with a carnivalesque procession across the site, culminating in the Clore Ballroom with poetry and music from Abram Wilson and band. Remembering the Javanese Tiger saw young performers working on an intensive project to learn to play traditional Javanese pieces and compose their own music for the gamelan. The constant demand on the ever-popular poetry takeaway was complemented by a series of more reflective events exploring poetry and death in the Saison Poetry Library.

In September sessions began on our new joint MA with Kings College London: the **MA in Education in Arts and Cultural Settings**. The content of the MA has been developed jointly between Southbank Centre and Kings, with artistic team staff and artists delivering a core module exploring learning within the unique environment of our Centre. Nineteen students, of many different nationalities signed up for the programme, exceeding the college's expectations. The course continues throughout the Spring term and students will have the option to undertake dissertations based on our work.

Commercial

Southbank Centre's commercial activities traded well during 2011/12, through a combination of increasing income from existing activities and adding new activities. The Festival of Britain Celebration was the opportunity to bring in a number of pop-up restaurants, a fun fair and to extend the markets, including a popular market as part of the Vintage weekend. Our cafés and bars and restaurant partners benefited from the number of visitors who came to the site during the summer to enjoy the site-wide artistic activity and installations, and who stayed longer and spent more. The new café in the Queen Elizabeth Hall roof garden proved very successful. Our own retail had an excellent year, with a 60% increase in the Festival Terrace shop following its refurbishment and extension. The Hayward Gallery shop enjoyed the benefit of two very popular exhibitions. Rental income from the retail and restaurant units increased with upward rent reviews.

Development

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

In 2011/12 the Development Department achieved income of £2.2m (2010/11 £2.2m) from Corporate, Trusts & Foundations and Individual Giving. The net contribution to Southbank Centre's charitable activities and overheads after deducting direct expenditure (including payroll) was £1.6m (2010/11: £1.7m).

Income of £1.6m was achieved via Development Events, which incorporates the hiring of space for commercial purchases. The net contribution to Southbank Centre's charitable activities and overheads after deducting direct expenditure (including payroll) was £1.2m (2010/11: £1.2m).

Capital income is shown as funding for assets under construction.

REPORT OF THE TRUSTEE

Capital Project Developments

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

Organ Restoration

Southbank Centre embarked on a £2.3 million project to return the organ to its former glory and reinstall the missing 5,000 pipes that were not restored during the Royal Festival Hall refurbishment in 2007. The restoration work by Harrison & Harrison in Durham, who designed and built the organ in 1954 with Ralph Downes CBE, began in February 2011. In January 2012 the central framework was installed with the rest of the central section to be installed in summer of 2012. The completed organ will be fully playable once more in 2014, 60 years after it was first installed. £1.49 million has been raised including a grant from the Heritage Lottery Fund.

Hungerford Bridge Undercroft

Extending the very successful Festival Riverside retail frontage under the railway bridge is a desirable next stage in the development of the site. We have had successful discussions with Network Rail, Westminster City Council, Lambeth Council and English Heritage. The date of our planning application and implementation date will now be considered in the context of the larger capital project.

Jubilee Gardens

Jubilee Gardens opened as a world-class park in time for the Queen's Diamond Jubilee and the Olympics. 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 Complex

We have been successful in the first stage of an application for large-scale capital funding of £20 million towards the refurbishment and renewal of the Queen Elizabeth Hall, Purcell Room and Hayward Gallery complex from the Arts Council England. The £20 million investment will be a substantial contribution towards the estimated £43 million costs of refurbishment, which will address current urgent problems including poor access to and the upgrading of the stages and galleries; sub-standard back stage areas; and worn out services. Before finalising the refurbishment plans we are exploring a more ambitious project, which would reclaim unused and underused space to transform the whole of this complex and deliver more flexible cultural and social use in line with the successful and popular festival programme across art forms, and more accessible, exciting, welcoming public spaces that are regularly artistically animated. The second phase of the Arts Council grant process requires us to have completed RIBA stage D by September 2013. This is the next stage of the Rick Mather masterplan for the site and builds on the transformation of the Royal Festival Hall.

Waterloo City Square

Southbank Centre is a member of South Bank Employers' Group 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. The project has now been designated one of the Mayor's 100 London public spaces. This, together with the emerging redevelopments of Elizabeth House and Shell Centre has given renewed emphasis to progress the scheme. In particular, Transport for London are now finalising the transport for the area which will then be a constraint within which proposals can be developed. In the meantime we are preparing a brief for the temporary use of the Waterloo Bridge Undercrofts leading up to the IMAX.

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REPORT OF THE TRUSTEE

Financial Review

Southbank Centre achieved a breakeven result on the unrestricted operations fund after a transfer of £260,000 to designated reserves.

<u>Income</u>	2012		2011	
	£'000		£'000	
Donations and sponsorship	2,214	5%	2,160	5%
Arts Council revenue grant	18,912	46%	22,763	54%
Activities for generating funds	12,403	29%	9,817	23%
Income from artistic activity	8,563	20%	7,791	18%
Interest receivable	16	0%	2	0%
Total operating income	42,108	100%	42,533	100%

Overall Southbank Centre operating income remained similar to the previous year (1% lower). Unrestricted Arts Council England revenue grant funding reduced by £3.8m but increases in other income compensated for this. Income from activities for generating funds increased by £2.6m from a combination of rent reviews, extension of an existing shop, introduction of new trading units as part of the Festival of Britain celebrations, and strong trading in existing units. Income from artistic activity (ticket sales and hall rentals) also increased by £0.7m.

<u>Expenditure</u>	2012		2011	
	£'000		£'000	
Cost of fundraising	913	2%	769	2%
Retail and trading	5,975	14%	5,403	13%
Cost of charitable activities	34,772	83%	35,894	84%
Governance	327	1%	321	1%
Total operating expenditure	41,987	100%	42,387	100%

Operating expenditure reduced by just under 1% compared to the previous year. The cost of charitable activities reduced by £1.1m mainly because of one-off project costs in the previous year which were not repeated. Retail and trading costs increased by £0.6m reflecting the higher income levels.

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

Vision

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

Mission

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

Objectives

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

Strategies to achieve main objectives

Artistic strategy

Southbank Centre has its origins in the 1951 Festival of Britain and is one of the great democratic and imaginative gestures of the last century, holding a unique place in the arts establishment of the UK. Southbank Centre's mission, to draw everyone possible to this loved site and captivate them through our unique arts programme and the warmth of our welcome, comes from our commitment to the original ideal that art is for everyone. As described in the Artistic Review section above, Southbank Centre has evolved an approach to artistic programming based around a series of annual and one-off themed festivals.

During the coming year, Southbank Centre plans further extension and implementation of its festival methodology and development of multi-arts-platform touring activity. The ambition is to develop a year-long sense of festival at Southbank Centre – so is a place where people say 'There is always something to see and do at Southbank Centre'.

The Festival of the World in summer 2012, sponsored by Mastercard, extends this approach to programming and artistic interventions across the whole site, building on the approach developed for the 2011 summer festival. New areas of the site, including the Queen Elizabeth Hall undercroft are being opened up for cultural and commercial uses.

A Winter Festival programme will be developed to match the Summer Festival. This will require sponsorship and new commercial income to support the free programme and site installation.

REPORT OF THE TRUSTEE

Learning and Participation

Southbank Centre will be developing its strategy for Southbank Centre as an alternative learning institution.

Transformation of Queen Elizabeth Hall, Purcell Room and Hayward Gallery

The organisation will progress its project to refurbish the Queen Elizabeth Hall, Purcell Room and Hayward Gallery, including the supporting infrastructure and the site between Royal Festival Hall and Waterloo Bridge in order to:

- Bring them up to industry standard
- Reclaim under-utilised spaces for public, artistic and commercial use
- Make the spaces suitable for our festival programming
- Improve Southbank Centre's financial resilience through new income streams

The next step is to complete the appointment of the design team, including the architects. During 2012/13, Southbank Centre will be working towards RIBA Stage D as part of the Stage 2 Arts Council England Capital Grant Application process.

Implementation of the Digital Strategy

Recruitment will begin for positions with digital expertise to develop the digital strategy with the aim of making Southbank Centre the world's most inspiring place for the arts online as well as physically through creating, curating, recording and broadcasting compelling digital content.

Entrepreneurship and financial sustainability

Southbank Centre is aiming to generate an increasing proportion of funding from its own resources, through a combination of extending existing entrepreneurial activities and introducing new income strands, e.g. through a range of pop-up restaurants and new income generating offers linked to the festival programme.

Developing audiences

We aim to understand our audiences better, increase numbers and extend our reach, with a particular focus on the un-ticketed audience for our extensive free programming .

Visitor experience

Work will continue on improving the experience of the visitor in all the touch-points of their journey.

Public Benefit

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

REPORT OF THE TRUSTEE

Employee Policies

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

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

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

Reserves Policy

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

Unrestricted reserves

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

Planned level of unrestricted reserves

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

General Reserve

As at 31 March 2012 the General Reserve balance was £2.6m (2011: £2.6m) which is sufficient to cover approximately three weeks of budgeted operating expenditure excluding any income.

Designated Reserves

As at 31 March 2012 Southbank Centre held three designated reserves:

(i) Capital Reserve (£255.9m)

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

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

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(ii) Hayward Gallery Prints Fund (£54,000)

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

(iii) Strategic Reserve (£260,000)

This reserve has been created to support the costs of new initiatives budgeted for future years including developing digital activity. The allocation made to the fund is the surplus on the General Reserve for year ended 31 March 2012. It is expected to be used in year ending 31 March 2013.

(iv) Pension Plan (-£4.796m)

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

Review of the policy

The Reserves Policy is reviewed annually.

Going Concern

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

The Governors have given due consideration to the working capital and cash flow requirements of Southbank Centre. The Governors consider Southbank Centre's current and forecast cash resources to be sufficient to cover the working capital requirements of the charity for at least 12 months.

Southbank Centre substantially relies on funding by grants from Arts Council England for its current and future commitments, and operates on the basis that, taking one year with another, revenue will match expenditure (in the unrestricted operations fund). Arts Council England has confirmed funding for Southbank Centre to March 2015. The going concern basis used in the preparation of these financial statements is based upon the expectation that Southbank Centre will continue to receive sufficient support from the Arts Council England to match its expenditure with the total revenue it raises.

The current deficit of £4.8m on the Pension Plan as at 31 March 2012 represents an increase of £1.8m on the deficit shown at the previous year end. The increase in the deficit is mainly due to a change in the assumption on inflation rates for statutory pension increases. 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 Southbank Centre has adequate resources to continue operating for the foreseeable future and, for this reason, has continued to adopt the going concern basis for preparation of the accounts.

Funding Agreement

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

REPORT OF THE TRUSTEE

The year ended 31 March 2012 represents the first year of the current three-year funding cycle from Arts Council England. Arts Council England has indicated they will fund Southbank Centre until 31 March 2015.

Risk Management

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

- Failure to achieve the high artistic standards which Southbank Centre is committed.
- Failure to comply with core funding agreements and to fulfil commitments to key sponsors.
- Impact of any further economic downturn on ticket sales, fundraising and commercial income from shops and outlets.
- Failure to comply with key legislative requirements.
- Major disaster causing significant infrastructure damage and loss of business.

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

Internal Financial Control

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

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

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

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

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

The Governors believe that Southbank Centre's system of internal financial control provides reasonable, but not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. The Audit and Risk Committee has monitored the operation and effectiveness of the system of internal financial control during the financial year ended 31 March 2012 through regular reports from Executive Management, reports from the internal auditor and comments made in the annual management letter from the external auditors.

Annual audit

The annual audit of Southbank Centre is carried out by two sets of auditors: PricewaterhouseCoopers LLP and the Comptroller and Auditor General. The Comptroller and Auditor General expresses an audit opinion on the Southbank Centre's 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.

Political and Charitable Donations

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

Insurances

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

By Order of the Board



R Haythornthwaite
Chairman
Southbank Centre Limited
as Trustee for Southbank Centre

2 July 2012

SOUTHBANK CENTRE

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

Under Section 47 of the Local Government Act 1985 Southbank Centre Limited, as sole corporate trustee of Southbank Centre is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

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

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

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable the Trustee to ensure that the financial statements comply with the directions under the Local Government Act 1985, the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. The Trustee is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SOUTHBANK CENTRE

I have audited the financial statements of the Southbank Centre for the year ended 31 March 2012. The financial statements comprise the Consolidated Statement of Financial Activities, Group Operating Statement, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Trustee and auditor

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

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Southbank Centre's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Report of the Trustee to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income funded by Parliament and recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the Southbank Centre Group's affairs as at 31 March 2012, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SOUTHBANK CENTRE

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Charities Act 2011 requires me to report to you if, in my opinion:

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



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

3rd
July 2012

SOUTHBANK CENTRE
GROUP OPERATING STATEMENT
Year ended 31 March 2012

	2012 £'000	2011 £'000
INCOME		
Donations and sponsorships	2,214	2,160
Arts Council revenue grant	18,912	22,763
Activities for generating funds	12,403	9,817
Income from artistic activity	8,563	7,791
Interest receivable	16	2
Total operating income	<u>42,108</u>	<u>42,533</u>
EXPENDITURE		
Costs of fundraising	913	769
Retail and trading	5,975	5,403
Costs of charitable activities	34,772	35,894
Governance	327	321
Total operating expenditure	<u>41,987</u>	<u>42,387</u>
TRANSFERS		
Use of restricted project funds	139	350
Transfer to designated funds	(260)	(496)
OPERATING SURPLUS	<u>-</u>	<u>-</u>
RECONCILIATION TO STATEMENT OF FINANCIAL ACTIVITIES		
Operating Surplus	-	-
Income for Restricted Capital	4,955	564
Income for Designated Funds	67	855
Total resources expended - Designated Funds	(8,427)	(7,417)
Total resources expended - Restricted Capital	(597)	(386)
Use of restricted reserves	(139)	(350)
Transfer to designated funds	260	496
Net outgoing resources before other recognised gains and losses	<u>(3,881)</u>	<u>(6,238)</u>

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

Costs of fundraising include £533,000 of costs directly attributable to the Development team, and £423,000 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 2012

	Notes	Unrestricted funds		Restricted funds		Total funds	
		Operations	Designated	Projects	Capital	2012	2011
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Incoming resources from generated funds							
<i>Voluntary income</i>							
Donations and sponsorship		1,538	67	676	-	2,281	2,271
Arts Council grant		18,660	-	252	3,906	22,818	22,763
Funding for assets under construction		-	-	-	1,049	1,049	714
<i>Activities for generating funds</i>	3	12,403	-	-	-	12,403	9,817
<i>Interest receivable</i>	9	16	-	-	-	16	2
		<u>32,617</u>	<u>67</u>	<u>928</u>	<u>4,955</u>	<u>38,567</u>	<u>35,567</u>
Incoming resources from charitable activities							
Artistic activity	3	8,563	-	-	-	8,563	8,385
Total incoming resources		<u>41,180</u>	<u>67</u>	<u>928</u>	<u>4,955</u>	<u>47,130</u>	<u>43,952</u>
RESOURCES EXPENDED							
Costs of generating funds							
Costs of fundraising	5	913	43	-	-	956	804
Retail and trading	5	5,975	630	-	-	6,605	6,000
		<u>6,888</u>	<u>673</u>	<u>-</u>	<u>-</u>	<u>7,561</u>	<u>6,804</u>
Costs of charitable activities							
Artistic activity	5	33,705	7,638	1,067	-	42,410	42,449
Construction and refurbishment	5	-	116	-	597	713	616
		<u>33,705</u>	<u>7,754</u>	<u>1,067</u>	<u>597</u>	<u>43,123</u>	<u>43,065</u>
Governance costs							
	5	327	-	-	-	327	321
Total resources expended	5	<u>40,920</u>	<u>8,427</u>	<u>1,067</u>	<u>597</u>	<u>51,011</u>	<u>50,190</u>
Net incoming/(outgoing) resources before transfers	2	<u>260</u>	<u>(8,360)</u>	<u>(139)</u>	<u>4,358</u>	<u>(3,881)</u>	<u>(6,238)</u>
Transfers between funds	14	<u>(260)</u>	<u>4,433</u>	<u>-</u>	<u>(4,173)</u>	<u>-</u>	<u>-</u>
Net (outgoing)/incoming resources before other recognised gains and losses		<u>-</u>	<u>(3,927)</u>	<u>(139)</u>	<u>185</u>	<u>(3,881)</u>	<u>(6,238)</u>
Other recognised gains and losses							
Actuarial (losses)/gains on defined benefit pension schemes	17	-	(690)	-	-	(690)	2,448
Gain on property transaction	21	-	3,174	-	-	3,174	-
Net movement in funds		<u>-</u>	<u>(1,443)</u>	<u>(139)</u>	<u>185</u>	<u>(1,397)</u>	<u>(3,790)</u>
RECONCILIATION OF FUNDS							
Net movement in funds		<u>-</u>	<u>(1,443)</u>	<u>(139)</u>	<u>185</u>	<u>(1,397)</u>	<u>(3,790)</u>
Fund balances brought forward	14	<u>2,582</u>	<u>252,949</u>	<u>265</u>	<u>-</u>	<u>255,796</u>	<u>259,586</u>
Total funds carried forward	14	<u>2,582</u>	<u>251,506</u>	<u>126</u>	<u>185</u>	<u>254,399</u>	<u>255,796</u>

All of the above results are derived from continuing activities
This statement incorporates the Statement of Total Realised Gains and Losses required by FRS 3 for the financial years stated above
The Movements on Reserves are also described in note 14
The notes on pages 24 to 41 form part of these financial statements

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

SOUTHBANK CENTRE

BALANCE SHEETS

31 March 2012

	Notes	Group		Charity	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fixed assets					
Tangible assets	7	280,245	286,435	280,245	286,435
Current assets					
Stocks of consumables and goods held for resale		327	273	113	102
Debtors - due within one year	10	4,063	3,022	6,662	5,051
Debtors - due after one year	10	440	880	440	880
Cash at bank and in hand					
Short term deposits		2,000	-	2,000	-
Cash in restricted access escrow account	21	-	5,022	-	5,022
Cash held in other accounts		4,091	4,238	1,506	2,650
Total current assets		10,921	13,435	10,721	13,705
Current liabilities					
Creditors: amounts falling due within one year	11	(11,278)	(17,259)	(11,132)	(17,529)
		<u>(11,278)</u>	<u>(17,259)</u>	<u>(11,132)</u>	<u>(17,529)</u>
Net current liabilities		(357)	(3,824)	(411)	(3,824)
Total assets less current liabilities		279,888	282,611	279,834	282,611
Creditors: amounts falling due after one year	13	(20,693)	(23,779)	(20,639)	(23,779)
Net assets excluding pension plan liability		259,195	258,832	259,195	258,832
Pension plan liability	17	(4,796)	(3,036)	(4,796)	(3,036)
Net assets including pension plan liability		254,399	255,796	254,399	255,796
RESERVES					
Unrestricted funds					
General reserves	14	2,582	2,582	2,582	2,582
Designated funds	14	256,302	255,985	256,302	255,985
Pension plan	14 & 17	(4,796)	(3,036)	(4,796)	(3,036)
Total designated funds		251,506	252,949	251,506	252,949
Total unrestricted funds	14	254,088	255,531	254,088	255,531
Restricted funds					
Projects fund	14	126	265	126	265
Restricted capital reserve	14	185	-	185	-
Total restricted funds	14	311	265	311	265
Total funds	14	254,399	255,796	254,399	255,796

The notes on pages 24 to 41 form part of these financial statements

These financial statements were approved by the Board on 2 July 2012 and signed on its behalf by


R Haythornthwaite
Chairman



SOUTHBANK CENTRE
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
CASH FLOW STATEMENT			
Net cash (outflow)/inflow from operating activities		(1,680)	3,580
Returns on investment and servicing of finance			
Interest received	9	16	2
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	(1,944)	(2,955)
Sale of fixed assets		29	-
Gain on property transaction		3,174	-
Net cash (outflow) / inflow before financing		(405)	627
Financing			
Loan repayments		(2,764)	(507)
(Decrease) / increase in cash balances		(3,169)	120

RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATIONS			
Net outgoing resources before transfers		(3,881)	(6,238)
Interest received		(16)	(2)
Depreciation charge	7	8,080	8,380
Loss on disposal of fixed assets		25	30
Increase in stock		(54)	(125)
(Decrease)/increase in debtors	10	(601)	1,764
(Increase)/decrease in creditors		(6,303)	371
Decrease in escrow deferral	11	-	(6)
FRS17 movements		1,070	(594)
Net cash (outflow)/inflow from operating activities		(1,680)	3,580

ANALYSIS OF MOVEMENT IN NET DEBT			
	Balance as at 1 April 2011 £'000	Movement in the year £'000	Balance as at 30 March 2012 £'000
Cash in hand and at bank	4,238	1,853	6,091
Cash in escrow account	5,022	(5,022)	-
	9,260	(3,169)	6,091
Debt due within one year	(565)	(22)	(587)
Debt due after more than one year	(21,563)	2,786	(18,777)
	(22,128)	2,764	(19,364)
Total	(12,868)	(405)	(13,273)

ANALYSIS OF CHANGES IN CASH DURING THE YEAR			
	2012 £'000	2011 £'000	
Opening balance	9,260	9,140	
Net cash (outflow)/inflow	(3,169)	120	
Closing balance	6,091	9,260	

SOUTHBANK CENTRE
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 Southbank Centre's Financial Statements.

a) *Basis of preparation*

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

The financial statements are drawn up on the going concern basis which assumes Southbank Centre will continue in operational existence for the foreseeable future. The Board have given due consideration to the working capital and cash flow requirements of Southbank Centre. The Board consider Southbank Centre's current and forecast cash resources to be sufficient to cover the working capital requirements of the charity for at least 12 months.

Southbank Centre substantially relies on funding by grants from Arts Council England for its current and future commitments, and operates on the basis that, taking one year with another, revenue will match expenditure (in the unrestricted operations fund). Arts Council England has confirmed funding for Southbank Centre to March 2015. The going concern basis used in the preparation of these financial statements is based upon the expectation that Southbank Centre will continue to receive sufficient support from the Arts Council England to match its expenditure with the total revenue it raises.

b) *Group financial statements*

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

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

c) *Income recognition*

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

The following specific policies apply:

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

1 STATEMENT OF ACCOUNTING POLICIES

c) *Income recognition (continued)*

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

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

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

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

d) *Expenditure and resources expended*

As with income, expenditure is recognised in the financial year of the particular activity to which it relates. Resources expended are included in the Statement of Financial Activities on an accruals basis, and are classified under headings that aggregate all costs related to that category. The costs of those activities which support one or more of the charity's activities have been allocated to those activities using an appropriate basis. Cost allocation includes an element of judgement and consideration has been given to the cost benefit of detailed calculations and record keeping.

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

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

Construction and refurbishment costs are those related to building projects.

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

e) *Fixed assets and depreciation*

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

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

A DRC assessment of land and buildings was made as at 31 March 2008. It is assumed that existing use continues, including the long lease granted to the British Film Institute in respect of the National Film Theatre.

Depreciation is provided on the properties at rates calculated to write off the revalued amounts over the estimated useful lives of the major buildings. These were revised as part of the DRC assessment as being 50 years for the Royal Festival Hall, 31 years for the Queen Elizabeth Hall and 38 years for the Hayward Gallery. New additions since 1 April 2004 have been written off over the useful life of the building to which that addition relates. Site development costs are capitalised and depreciated over 10 years, their expected period of economic benefit. Expenditure on maintenance of the properties is charged to the SOFA in the year in which it is incurred.

1 STATEMENT OF ACCOUNTING POLICIES

e) *Fixed assets and depreciation (continued)*

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

f) *Heritage Assets*

Southbank Centre maintains the following types of heritage assets:

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

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

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

g) *Stocks*

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

h) *Leases*

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

1 STATEMENT OF ACCOUNTING POLICIES

i) *Pensions*

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

For the defined benefit section the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the 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.

j) *Foreign currencies*

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

k) *Derivative financial instruments*

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

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

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

l) *Funds*

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

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

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

2 NET INCOMING/ (OUTGOING) RESOURCES

	2012 £'000	2011 £'000
Net incoming/ (outgoing) resources are stated after charging:		
Leasing of land and buildings	95	95
Depreciation charge on assets wholly owned by Southbank Centre	8,080	8,380
Auditors' remuneration for audit services (Southbank Centre)	60	58
Auditors' remuneration for audit services (Enterprises)	5	5
Auditors' remuneration for tax and other fees	2	10
Liability insurance for Governors and employees	11	14
Losses on foreign exchange differences	(10)	(24)

The auditors' remuneration relates to both PricewaterhouseCoopers LLP (£57,000) and the National Audit Office (£8,000).

3 ACTIVITIES FOR GENERATING FUNDS AND INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<i>Activities for generating funds - retail and trading</i>				
Retail and catalogue sales	2,133	1,366	506	411
Concessions and car parking	7,278	6,063	5,308	4,439
Hall and space rentals	1,554	1,550	-	-
Memberships and subscriptions	513	416	513	416
Other income	925	422	73	57
	<u>12,403</u>	<u>9,817</u>	<u>6,400</u>	<u>5,323</u>
<i>Incoming resources from charitable activities - artistic activity</i>				
Own promotions	5,602	4,881	5,602	4,881
Artistic rentals	2,046	1,772	2,046	1,772
Other income	915	1,732	915	1,732
	<u>8,563</u>	<u>8,385</u>	<u>8,563</u>	<u>8,385</u>

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

4 STAFF COSTS

	Total	
	2012	2011
	£'000	£'000
Employee costs amounted to:		
Wages and salaries	13,300	11,979
Social security costs	1,302	1,155
Pension costs	1,108	1,029
	<u>15,710</u>	<u>14,163</u>

The Governors (Chairman and Board members) are not remunerated for their services and Governors received £nil (2011: £nil) in reimbursement of travelling and subsistence expenses.

The average full time equivalent employees were:

	2012	2011
	No.	No.
Operational services	54	77
Marketing	37	38
Press & Communications	11	12
Visitor Services	99	79
Retail Sale and Space Rental	26	25
Fundraising	12	10
Performing arts	56	52
Hayward Gallery	53	48
Management and administration	46	41
	<u>394</u>	<u>382</u>

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

	2012	2011
	No.	No.
£60,001 - £70,000	5	6
£70,001 - £80,000	8	7
£80,001 - £90,000	2	2
£90,001 - £100,000	2	-
£110,001 - £120,000	1	-
£200,001 - £210,000	-	1
£210,001 - £220,000	1	-
	<u>19</u>	<u>16</u>

Of these 19 employees, Southbank Centre paid pension contributions of £54,892 (2011: £46,286) for 9 employees (2011: 8 employees) who were members of the defined contribution section of the pension scheme. Southbank Centre also paid contributions to 5 employees (2011: 4 employees) who were members of the defined benefit section of the pension scheme and 1 employee (2011: 1 employee) who was a member of a personal pension plan.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

5 TOTAL RESOURCES EXPENDED

Group	Direct costs	Support costs	Total	
	£'000	£'000	2012 £'000	2011 £'000
Costs of generating funds				
Costs of fundraising	533	423	956	804
Retail and trading	3,069	3,536	6,605	6,000
Costs of charitable activities				
Artistic activity	14,262	28,148	42,410	42,449
Construction and refurbishment	713	-	713	616
Governance Costs	129	198	327	321
	<u>18,706</u>	<u>32,305</u>	<u>51,011</u>	<u>50,190</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	2012 £'000	2011 £'000
Costs of generating funds							
Costs of fundraising	150	119	42	72	40	423	351
Retail and trading	865	680	92	1,225	674	3,536	3,261
Costs of charitable activities							
Artistic activity	3,719	2,923	733	13,402	7,371	28,148	28,269
Governance	198	-	-	-	-	198	193
TOTAL support costs	<u>4,932</u>	<u>3,722</u>	<u>867</u>	<u>14,699</u>	<u>8,085</u>	<u>32,305</u>	<u>32,074</u>

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

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

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

	2012 £'000	2011 £'000
Internal audit	53	51
External audit	65	63
Governors' indemnity insurance	11	14
Apportionment of staff costs	198	193
	<u>327</u>	<u>321</u>

SOUTHBANK CENTRE
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 2011	279,016	24,571	1,362	5,940	6,542	223	317,654
Additions	127	181	672	412	552	-	1,944
Transfers	-	99	(99)	-	-	-	-
Disposals	-	-	(20)	(23)	(687)	-	(730)
At 31 March 2012	279,143	24,851	1,915	6,329	6,407	223	318,868
<i>Depreciation</i>							
At 1 April 2011	18,786	3,962	-	3,018	5,276	177	31,219
Charge in year	6,304	620	-	449	701	6	8,080
On disposals	-	-	-	(11)	(665)	-	(676)
At 31 March 2012	25,090	4,582	-	3,456	5,312	183	38,623
<i>Net Book Value</i>							
At 31 March 2012	254,053	20,269	1,915	2,873	1,095	40	280,245
At 31 March 2011	260,230	20,609	1,362	2,922	1,266	46	286,435

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

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

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

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

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

8 HERITAGE ASSETS

The Southbank Centre Collection

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

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

The Southbank Centre Archive

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

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

Poetry Library

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

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

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

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

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

9 INTEREST RECEIVABLE

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Interest receivable on bank deposits	16	2	13	1
	<u>16</u>	<u>2</u>	<u>13</u>	<u>1</u>

10 DEBTORS

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade debtors	1,253	620	945	505
Other debtors	151	166	124	132
Amounts owed from group undertakings	-	-	3,100	2,286
Prepayments and accrued income	2,659	2,236	2,493	2,128
	<u>4,063</u>	<u>3,022</u>	<u>6,662</u>	<u>5,051</u>
Accrued income - due after one year	440	880	440	880
	<u>4,503</u>	<u>3,902</u>	<u>7,102</u>	<u>5,931</u>

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

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade creditors and accruals	5,049	5,942	4,966	5,876
Loans	587	565	587	565
Amounts owed to group undertakings	-	-	1,173	1,486
Advanced ticket sales	2,372	2,766	2,372	2,766
Capital allowance creditor (see note 21)	-	5,022	-	5,022
Deferred income	3,270	2,964	2,034	1,814
Total creditors due within one year	<u>11,278</u>	<u>17,259</u>	<u>11,132</u>	<u>17,529</u>

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

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

12 DEFERRED INCOME

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Deferred income brought forward	5,180	4,348	4,030	4,215
Released in the year	(3,275)	(1,981)	(2,126)	(1,848)
Deferred in the year	3,281	2,813	1,992	1,663
Deferred income carried forward	<u>5,186</u>	<u>5,180</u>	<u>3,896</u>	<u>4,030</u>

13 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Deferred income	1,916	2,216	1,862	2,216
Loans	<u>18,777</u>	<u>21,563</u>	<u>18,777</u>	<u>21,563</u>
	<u>20,693</u>	<u>23,779</u>	<u>20,639</u>	<u>23,779</u>

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

Within one year	587	565	587	565
Within two to five years	2,901	2,679	2,901	2,679
After five years	15,876	18,884	15,876	18,884
	<u>19,364</u>	<u>22,128</u>	<u>19,364</u>	<u>22,128</u>

The loans consist of the following facilities:

- A term loan of £17.1m provided by AIB Group (UK) plc which is secured by a fixed charge over the Royal Festival Hall extension building. This facility is repayable in quarterly instalments until 2027.
- A term loan facility of £7.7m provided by Lloyds TSB Bank plc of which £2.6m 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 13 years.

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

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

14 GROUP & CHARITY RESERVES						
	Balances as at 1 April 2011 £'000	Movements in resources Incoming Outgoing £'000 £'000		Other Gains & Losses £'000	Transfers in/(out) £'000	Balances as at 31 March 2012 £'000
<i>Unrestricted funds</i>						
General Reserve	2,582	41,180	(40,920)	-	(260)	2,582
<i>Designated funds</i>						
Strategic Reserve	-	-	-	-	260	260
Designated Capital Reserve	255,658	47	(7,064)	3,174	4,173	255,988
Hayward Gallery Prints Fund	49	20	(15)	-	-	54
Pay Award Fund	278	-	(278)	-	-	-
Pension Plan (note 17)	(3,036)	-	(1,070)	(690)	-	(4,796)
Total unrestricted funds	255,531	41,247	(49,347)	2,484	4,173	254,088
<i>Restricted funds</i>						
Restricted Capital Reserve	-	4,955	(597)	-	(4,173)	185
Projects Fund	265	928	(1,067)	-	-	126
Total restricted funds	265	5,883	(1,664)	-	(4,173)	311
TOTAL funds (2012)	255,796	47,130	(51,011)	2,484	-	254,399
TOTAL funds (2011)	259,586	43,952	(50,190)	2,448	-	255,796

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

The *General Reserves* are available for spending on Southbank Centre's charitable objectives.

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

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

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

The *Pay Award Fund* relates to funds set aside towards the cost of a 2010/11 pay award that was not finalised at 31 March 2011. A settlement for the 2010/11 pay award was made during the year and the fund was fully utilised.

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

Restricted funds There are two restricted funds:

The *Capital Reserve: Public Realm Fund* holds unspent grants received for various public realm developments.

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

Transfers in the year

£260,000 was transferred from the General Reserves to the Strategic Reserve in the year.

£4.2m was transferred in the year from the restricted Capital Reserve to the unrestricted Capital Reserve reflecting grant income and Arts Council England capital funding received where the restricted purpose has been fulfilled.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

14 GROUP & CHARITY RESERVES - CONTINUED

Analysis of net assets between funds

	Restricted funds £'000	Unrestricted funds £'000	Total funds	
			2012 £'000	2011 £'000
Tangible fixed assets	-	280,245	280,245	286,435
Current assets	311	10,610	10,921	13,435
Current liabilities	-	(11,278)	(11,278)	(17,259)
Creditors falling due after one year	-	(20,693)	(20,693)	(23,779)
Pension plan liability	-	(4,796)	(4,796)	(3,036)
	<u>311</u>	<u>254,088</u>	<u>254,399</u>	<u>255,796</u>

15 CAPITAL COMMITMENTS

<i>Group and charity</i>	2012 £'000	2011 £'000
Authorised and contracted	<u>1,240</u>	<u>1,414</u>

Capital commitments relate to the Organ refurbishment project and the East Wing development.

16 COMMITMENTS UNDER OPERATING LEASES

<i>Group and charity</i>	2012 £'000	2011 £'000
Operating leases which expire:		
<i>Land and buildings</i>		
Within one year	-	-
Within five years	-	-
After more than five years	<u>95</u>	<u>95</u>
	<u>95</u>	<u>95</u>

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

17 PENSION COSTS

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

Defined contribution section

Southbank Centre's contributions to the defined contribution section in the year ended 31 March 2012 were £296,000 (2011: £260,000). As at 31 March 2012 outstanding contributions were £26,000 (2011: £23,000). Southbank Centre 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 2011 by a qualified independent actuary on behalf of the trustees. The actuary has undertaken additional calculations to produce estimated results for the purposes of FRS 17. As the section is closed to new entrants, under the projected unit method the current service cost will increase (as a percentage of pensionable salaries) as members approach retirement.

Southbank Centre contributed to the defined benefit section at the rate of 22.9% of pensionable salaries. In addition, Southbank Centre has been contributing £37,667 per month into the defined benefit section of the plan during the year. Employees currently pay 5% of pensionable salary.

Regular employer contributions to the plan in 2012/13 are estimated to be £296,000. Deficit contributions to the plan in 2012/13 are expected to be £407,000.

The major assumptions used by the actuary were:

	2012	2011	2010
	%	%	%
<u>Main financial assumptions</u>			
Rate of increase in pensionable salaries	3.55	4.20	4.40
Increase in pensions (guaranteed) *	3.30	3.50	3.65
Increase in pensions (discretionary) *	0.00	0.00	0.00
Discount rate	4.80	5.40	5.55
RPI Inflation rate	3.55	3.75	3.95
CPI Inflation rate	N/A	2.85	N/A
<u>Expected asset return</u>			
Expected return on equities	7.40	7.70	8.40
Expected return on bonds	3.30	4.20	4.50
Expected return on property	6.90	7.50	8.90
London Eye Asset	3.86	5.11	4.50

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

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23.2 years if they are male and for a further 25.2 years if they are female. For a member who retires in 2032 at age 65 the assumptions are that they will live on average for a further 25.1 years after retirement if they are male and for a further 27.2 years after retirement if they are female.

The results of the actuarial valuation as at 1 April 2011 indicated that there was a significant deficit. The trustees were also advised that discretionary pension increases could only be continued if there was a corresponding significant increase in Southbank Centre's contributions. When the fund is in deficit, the trust deed and rules only permit the trustees to award discretionary pension increases if there is a corresponding increase in the employer's contributions. Consequently, Southbank Centre has obtained additional independent actuarial advice that in current conditions there is no prospect of future discretionary pension increases without a substantial improvement in the funding position. In formulating this policy Southbank Centre recognises that circumstances can change and it may be appropriate at a future date to re-introduce an allowance for discretionary pension increases.

	2012	2011
	£'000	£'000
Employer's pension contribution		
Defined benefit section	807	818
Defined contribution section	296	260
	<u>1,103</u>	<u>1,078</u>

The assets and liabilities in the pension plan were:

	2012	2011	2010
	£'000	£'000	£'000
Equities	20,980	19,621	18,118
Bonds	7,313	7,060	6,297
Property	1,275	1,208	1,105
Cash	191	115	93
London Eye Asset	6,286	5,100	5,118
Market value of Defined Contribution assets	<u>3,939</u>	<u>3,193</u>	<u>2,615</u>
Total market value of assets	<u>39,984</u>	<u>36,297</u>	<u>33,346</u>
Present value of liabilities	<u>(44,780)</u>	<u>(39,333)</u>	<u>(39,424)</u>
Deficit in plan	<u>(4,796)</u>	<u>(3,036)</u>	<u>(6,078)</u>

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

17 PENSION COSTS - CONTINUED

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

Reconciliation of present value of defined benefit liabilities	2012	2011
	£'000	£'000
At 1 April	36,140	36,809
Current service cost	310	327
Past service cost	1,698	-
Interest cost	2,031	2,028
Contributions by plan participants	23	24
Actuarial losses/(gains) on plan liabilities	1,403	(2,155)
Benefits paid	(764)	(893)
Curtailments	-	-
At 31 March	<u>40,841</u>	<u>36,140</u>

Reconciliation of fair value of defined benefit assets	2012	2011
	£'000	£'000
At 1 April	33,104	30,731
Expected return on plan assets	2,162	2,131
Actuarial gains on plan assets	713	293
Contributions by the Employer	807	818
Contributions by Plan participants	23	24
Net benefits paid out	(764)	(893)
At 31 March	<u>36,045</u>	<u>33,104</u>

Actual return on plan assets	2012	2011
	£'000	£'000
Expected return on plan assets	2,162	2,131
Actuarial gain on plan assets	713	293
Actual return on plan assets	<u>2,875</u>	<u>2,424</u>

Analysis of actuarial losses recognised:	2012	2011
	£'000	£'000
Actual return less expected return on the plan's assets	713	293
Experience gains and losses arising on the plan's liabilities	1,604	(2)
Changes in assumptions underlying the present value of the plan's liabilities	(3,007)	2,157
Actuarial (loss)/gain	<u>(690)</u>	<u>2,448</u>

Analysis of pension scheme outgoing resources	2012	2011
	£'000	£'000
Current service cost	310	327
Past service cost	1,698	-
Interest cost	2,031	2,028
Contributions to DC section	296	260
Expected return on Plan assets	(2,162)	(2,131)
Expense recognised in Statement of Financial Activities	<u>2,173</u>	<u>484</u>

Expected return on the assets of the pension plan	2012	2011
	£'000	£'000
Interest on the liabilities of the pension plan	(2,031)	(2,028)
	<u>131</u>	<u>103</u>

History of experience gains and losses	2012	2011	2010	2009	2008
Difference between expected and actual return on plan's assets					
Amount (£'000)	713	293	5,282	(5,170)	(2,397)
Percentage	2.0%	0.8%	17.2%	(27.0%)	-10.3%
Experience gains and losses on the plan's liabilities					
Amount (£'000)	1,604	(2)	(1)	(1,441)	3
Percentage	3.9%	(0.0%)	(0.0%)	(5.3%)	0.0%
Total amount recognised in SOFA					
Amount (£'000)	(690)	2,448	1,862	(7,909)	3,734
Percentage	(1.7%)	6.9%	5.1%	-29.1%	15.8%

Southbank Centre employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Plan at 31 March 2012.

From 1 March 2012 changes were introduced to the Defined Benefit section of the scheme to reduce the lump sum retirement benefit calculation and spouse's pension entitlement. Member contributions for the Defined Benefit section also increased to 5% from 1 March 2012 and will increase to 7% from 1 March 2013. The employer has also agreed, since the financial statements for year ended 31 March 2011 were issued, to plan for statutory pension increases derived from the Retail Prices Index (adjusted for caps in the scheme rules) even though the Government intends to change to the Consumer Prices Index as the default inflation index. Use of the Retail Prices Index is a change to the assumption used in last year's accounts and increased the deficit by £1.7m.

In addition, there was a total actuarial loss of £690k. During the year, equity markets returned less than assumed, but bond markets increased. In addition, the value of the London Eye Asset increased due to a decrease in the rate used to discount the future rental income stream. Overall this led to a gain on assets of around £713k compared with the expected return.

The financial and demographic assumptions underlying the calculation of the liabilities changed during the year (in particular the yield on AA-rated corporate bonds fell significantly). Overall, this led to a higher value being placed on the liabilities at the year end than expected at the beginning of the year resulting in a loss of around £3,007k.

The experience gain on the liabilities was £1,604k. Most of this was a result of carrying out a new triennial valuation.

SOUTHBANK CENTRE
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18 SUBSIDIARIES

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

i) *South Bank Foundation Limited*

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

ii) *Southbank Centre Enterprises Limited*

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

	2012	2011
	£	£
Turnover	7,922,993	5,960,221
Cost of sales	(1,129,378)	(660,291)
Administrative expenses	<u>(1,546,101)</u>	<u>(1,484,766)</u>
Operating profit	5,247,514	3,815,164
Interest receivable	3,330	573
Net result	<u>5,250,844</u>	<u>3,815,737</u>
Gift aid due to parent company	<u>(5,250,844)</u>	<u>(3,815,737)</u>
Retained in the subsidiary	-	-

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

	2012	2011
	£	£
Current assets	3,300,142	2,014,988
Creditors: amount falling due within one year	<u>(3,300,042)</u>	<u>(2,014,888)</u>
Total net assets	<u>100</u>	<u>100</u>
Represented by:		
Share capital	100	100
Profit and loss account	-	-
	<u>100</u>	<u>100</u>

19 CONTINGENT LIABILITIES

Group and charity

Legal actions

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

Capital grant funding

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

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

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

20 RELATED PARTIES

Rick Haythornthwaite (Chairman of Southbank Centre) is also Chairman of Network Rail and Mastercard. Southbank Centre has an agreement with Mastercard to provide corporate sponsorship of £1.8m for three annual festivals to be held from summer 2011. During the year ended 31 March 2012 Southbank Centre received £0.6m relating to the sponsorship of Festival of Britain celebrations. At year-end, Southbank Centre had also received £0.6m relating to sponsorship of the Festival of the World in summer 2012 and this has been included in deferred income at 31 March 2012.

Southbank Centre paid rent to Network Rail for the Hungerford Arches 150-152 & 156-167 of £98,000 (2011: £98,000) during the financial year.

Southbank Centre sub-leases Hungerford Arches 150-152 to Topolski Memoir Limited (TML), a charitable company, and invoiced net rent of £55,000 (2011: £56,000) in the financial year. At 31 March 2012 there was £77,456 (2011: £25,819) owed to Southbank Centre. Southbank Centre is a director/trustee of Topolski Memoir Limited but does not have significant influence or control over Topolski Memoir Limited.

Southbank Centre is a trustee of the Jubilee Gardens Charitable Trust which will maintain Jubilee Gardens after its redevelopment. Southbank Centre does not have significant influence or control over the Trust. Southbank Centre paid a subscription of £10,000 (2011: Nil) to Jubilee Gardens Charitable Trust during the year.

The American Fund for Southbank Centre Inc. ("American Fund") provides a tax efficient method for Southbank Centre to receive donations from US based donors. Donations received are transferred to Southbank Centre and recognised by Southbank Centre on a cash basis. During the year, Southbank Centre received USD2,350 (2011: Nil) from the American Fund. The American Fund had USD9,440 (2011: USD11,000) in cash balances available to transfer to Southbank Centre at 31 March 2012.

Cornelius Medvei (Governor) is Chair of Trustees of Cockpit Arts a social enterprise that sells work through Southbank Centre's shops. Southbank Centre paid commission of £4,552 (2011: Nil) to Cockpit Arts during the financial year.

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

Robin Woodhead (Governor) is a director and Chief Executive of Sotheby's. Southbank Centre stages exhibitions which may incidentally enhance the value of works which may subsequently be offered for sale by Sotheby's on behalf of vendors. During the course of the year neither Southbank Centre nor Mr Woodhead were aware of any material case where this might have arisen. Mr Woodhead has no day to day involvement in deciding which exhibitions or works should be shown at Southbank Centre.

Maggie Semple (Governor) is founder and MD of Maggie Semple Limited. Maggie Semple Limited hired a room for an event during the financial year for £940 (2011: Nil) and at year end this was outstanding.

Mick Mannion sits on Southbank Centre's property committee as an external advisor and is Managing Director and founder of M3 Consulting. Southbank Centre incurred fees from M3 Consulting for property advice of £114,000 (2011: Nil) during the financial year.

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

Southbank Centre, as sponsoring employer, has agreed to pay for the expenses of the Southbank Centre Retirement Plan. These expenses were £281,000 (2011: £214,000) for the year ended 31 March 2012.

SOUTHBANK CENTRE
NOTES TO THE FINANCIAL STATEMENTS

21 CASH IN RESTRICTED ACCESS ESCROW ACCOUNT: CAPITAL ALLOWANCE SCHEME

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

At 31 March 2011, £5.0m was held in a restricted access escrow bank account with a corresponding amount in creditors in the event that the whole amount was payable to the lessor.

On 13 September 2011, an amount of £1.8m was paid to the lessor. The remaining £3.2m was released to Southbank Centre from the restricted access escrow bank account and represents the gain on the property transaction.