

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

# SOUTHBANK CENTRE

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2014

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## SOUTHBANK CENTRE

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## SOUTHBANK CENTRE

Registered as a Charity No. 298909

### **Principal office**

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## PROFESSIONAL ADVISORS

### **Bankers**

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### **Solicitors**

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London  
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London  
EC2V 7WS

### **Independent Auditors**

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 |                          | 02 July 2012               |
| Mr Brent Hansen                     | 24 September 2008 |                          | 02 July 2012               |
| Ms Fionnuala Hogan                  | 21 November 2007  |                          | 01 July 2011               |
| Mr David Kershaw                    | 24 September 2008 |                          | 02 July 2012               |
| Mr Julian Lloyd Webber              | 30 September 2009 |                          |                            |
| Mr Cornelius Medvei                 | 30 September 2009 |                          |                            |
| Ms Ursula Owen, OBE                 | 02 July 2003      |                          | 02 July 2012               |
| Mr Jamie Ritblat                    | 30 September 2009 |                          |                            |
| Ms Maggie Semple OBE                | 23 September 2010 |                          |                            |
| Mr Mark Wallinger                   | 29 April 2010     | 02 July 2013             |                            |
| Mr Michael Zaoui                    | 02 July 2012      |                          |                            |

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

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

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

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

C = Chairman of that Committee

### CHIEF EXECUTIVE AND OTHER CURRENT SENIOR STAFF

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

|                    |   |
|--------------------|---|
| Alan Bishop        | Chief Executive                               |
| Jude Kelly, OBE    | Artistic Director                             |
| Jane Beese         | Head of Contemporary Music                    |
| Victoria Cheetham  | Director of Arts Administration               |
| Sarita Godber      | Director of Human Resources (maternity leave) |
| Richard Buxton     | Director of Human Resources (maternity cover) |
| Molly Jackson      | Deputy Chief Executive                        |
| Shân MacLennan     | Creative Director, Learning and Participation |
| Wendy Martin       | Head of Dance and Performance                 |
| Mike McCart        | Director of Partnerships and Policy           |
| Gillian Moore, MBE | Head of Classical Music                       |
| Rebecca Preston    | Director of Development (to 25 April 2014)    |
| Ralph Rugoff       | Director, Hayward Gallery                     |
| James Runcie       | Head of Literature and Spoken Word            |
| Mark Rushworth     | Property Director                             |
| Jeremy Smeeth      | Finance Director                              |
| Edward Venning     | Director of Communications and Marketing      |

**CHAIRMAN'S FOREWORD**

In 2013, Southbank Centre's ambition to bring a continuous sense of festival to our 21 acre riverside site was exemplified by The Rest Is Noise, celebrating the cultural history of the 20th century through its classical music in partnership with the London Philharmonic Orchestra. Almost every orchestra in Britain joined this groundbreaking year-long festival, achieving audiences of over 120,000 for music previously supposed to be obscure.

We also made our own history when the iconic Royal Festival Hall organ was heard for the first time in public for nearly a decade on 18 March 2014 following its complete restoration, a landmark that was celebrated with our Pull Out All The Stops festival.

Having presented Festival of the World in 2012 to celebrate the Olympics and Paralympics, we turned to the local community in summer 2013 and asked a timely and crucial question: what makes a good neighbourhood and what does it mean to live side by side?

*Festival of Neighbourhood* brought together communities from near and far – from Deptford in South London to Pelourinho in Brazil – with thousands of artists exploring how we can create a better sense of belonging and stronger cooperation with our neighbours, particularly with people that differ from ourselves.

At the same time, the festival told the story of Southbank Centre as a neighbourhood, a place of intimacy, friendship and community where there are opportunities for everyone to discover, enjoy and deepen their engagement with the arts – including those who are usually hard to reach but are drawn in through our vibrant free offering and world-leading programme of learning and participation.

We had hoped to expand on this reach with our Festival Wing scheme, designed to provide free art and culture for two million people each year, including educational opportunities for 150,000 young people. We remain committed to the scheme, but are still working to resolve its funding and will in the meantime press on with urgent conservation of the Queen Elizabeth Hall, Purcell Room and Hayward Gallery so that we can continue to offer life enriching encounters between audiences and the world's great and emerging artists – from last year's must-see Light Show and Martin Creed exhibitions at Hayward Gallery, to our ever-growing Imagine Children's Festival and festivals enabling important conversations like WOW - Women of the World and BAM - Being A Man.

Alongside Southbank Centre's artistic impact, we also have a significant economic footprint, not just in London but across the UK. Our unique business model has created an environment where great art is supported by commercial entrepreneurship. A recent independent study by the Centre for Economics and Business Research into our economic impact estimates our total gross value added (GVA) impact on the London economy as £59.7m in 2013 with the equivalent figures for the UK as a whole reaching £93.2m.

Southbank Centre continues to run itself on the principles of sound financial management and organisational efficiency. This approach has meant that our financial results have attained or surpassed expectations over recent years. Nonetheless we still could not cover the basic costs of maintaining this 21-acre site without substantial core funding from Arts Council England. We are grateful 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 currently has five sub-committees to assist its governance of Southbank Centre: Audit and Risk, Remuneration, Nominations and Governance, Capital Campaign and Festival Wing Committees.

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

## REPORT OF THE TRUSTEE

### Review of the Business

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

### Artistic Review

Building on the heritage of the 1951 Festival of Britain, Southbank Centre has evolved an approach to artistic programming through a series of annual and one-off themed festivals. We use them to set up encounters between artists and audiences across artistic platforms. This enables everyone to discover, enjoy and deepen their engagement with the arts.

Festivals by their nature are occasions for celebration and enjoyment, to reflect on the past and explore the future in a spirit of sharing and friendship. They provide a safe environment for tackling difficult issues, making real our ambition to achieve social change for the better through art. Within this festival structure, our artistic offer is wide-ranging, covering contemporary and classical music, performance, dance, visual art and the spoken word. Each festival consists of ticketed and free events, combining different art forms. The festival themes inspire the animation of the whole site with installations and influence our entrepreneurial activities. During 2013/14 our festivals included:

- The Rest is Noise (throughout 2013): Our year-long exploration of 20th-century music in its historical context
- Alchemy (27 March -26 April 2013): An examination of South Asian culture
- Festival of Neighbourhood (4 May - 8 September 2012): A celebration of the idea of neighbourhood and exploration of what it means to live side by side in a community
- London Literature Festival (20 May - 5 June 2013): The capital's premier literature festival
- Yoko Ono's Meltdown (14 – 23 June): The famous festival of music, art, poetry and talks, curated each year by an influential musician
- Darbar Festival (19 – 22 September): A weekend of Indian classical music, culture and food
- The Winter Festival (15 November 2013-10 January 2014): International shows and performances, installations and festive markets
- Being A Man Festival (31 January – 2 February 2014): An exploration of what it means to be a man today
- Imagine Festival (10-23 February 2014): A festival for children, made by children
- WOW – Women of the World (5-9 March 2014): Celebrating the achievements and potential of women
- Pull Out All The Stops (18 March – 26 June 2014): Marking the complete refurbishment of the Royal Festival Hall organ through concerts, new musical commissions, workshops and an exhibition

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

We include below some highlights from our artistic programme in 2013-14, demonstrating how we fulfil our goals as a National Partnership Organisation of our major funder, Arts Council England.



**REPORT OF THE TRUSTEE**

**“Talent and Artistic excellence are celebrated and thriving”**

2013 was the year of **The Rest Is Noise**, a cultural and musical history of the 20th century, inspired by Alex Ross’s book of the same name. Winner of both a South Bank Sky Arts Award and an RPS Music Award, this ground breaking year-long undertaking with the London Philharmonic Orchestra brought orchestras from around the country to our site to present the breadth of 20th century classical repertoire, alongside immersive weekends of talks, debates and film screenings. Highlights included Stockhausen: Gruppen, the UK premiere of Frank Zappa’s cult classic 200 Motels and performances of Philip Glass’s Music in 12 Parts and Steve Reich’s Music for 18 Musicians, with both composers present.

The Rest Is Noise changed the way audiences engage with contemporary classical music by placing the music inside the history of revolutions, politics, war, science, philosophy, economics and social upheaval. Winning the Classical category of the South Bank Sky Arts Award, Melvyn Bragg praised its achievement in drawing new audiences to classical music.

Having welcomed the world in the year of the London Olympics to our Festival of the World with MasterCard, our 2013 summer festival, **Festival of Neighbourhood with MasterCard** celebrated our local community and for four months asked important questions about how we can create a better sense of belonging and stronger cooperation with our neighbours. The site was transformed into a giant mural-decorated urban garden and artist Bob and Roberta Smith’s flag installation *Grow Your Own Ideas* adorned the roof of the Royal Festival Hall, inviting the public to reflect on what it means to live side by side. As part of the programme we presented our biggest and most ambitious **London Literature Festival** to date, testament to our commitment to bringing the best authors and literary events to the capital, while the global cultural icon Yoko Ono brought a lifetime of achievement in music, visual art and peace activism to her **Meltdown**.

The Royal Festival Hall organ was heard for the first time in public for nearly a decade on 18 March 2014 following its complete restoration and reinstallation. Marking the instrument’s 60<sup>th</sup> anniversary, the return was celebrated with **Pull Out All The Stops**, an organ festival on an unprecedented scale, featuring eight new compositions for the organ by major composers commissioned by Southbank Centre.

2013 was an exceptional year for the Hayward Gallery and Hayward Touring, which resulted in the gallery’s nomination as one of six finalists of the Art Fund Museum of the Year Prize 2014. Light Show attracted 190,000 visitors to the gallery, while the double-bill of Ana Mendieta: Traces and Dayanita Singh: Go Away Closer presented the body of work of these two significant artists to a UK audience for the first time. The summer show transformed the gallery into The Alternative Guide to the Universe presenting maverick creations by outsider artists, including self-taught artists and architects, fringe physicists, street artists, dreamers and visionary engineers. Eccentric and inspiring, their work ingeniously departed from accepted ways of thinking in order to re-imagine the rules of culture and science.

Another first was the most comprehensive survey to date of Turner Prize-winning artist Martin Creed. Hayward Touring launched four new exhibitions in 2013/14, bringing intriguing combinations of contemporary art, historical artefacts and masterpieces to audiences in all corners of the UK and garnering glowing reviews: Curiosity: Art & the Pleasure of Knowing, curated by writer Brian Dillon; All That is Solid Melts Into Air, curated by Turner Prize winner Jeremy Deller; The Universal Addressability of Dumb Things, curated by artist Mark Leckey, and A Universal Archive – William Kentridge as Printmaker.

## REPORT OF THE TRUSTEE

In January 2014, Southbank Centre launched a new festival, Being A Man, which provided a platform for conversations on how men's roles are evolving in the 21st century. Put together in consultation with over 250 men, the festival featured a series of talks and debates with contributions from Billy Bragg, Jon Snow, Malala's father Ziauddin Yousafzai and David Lammy MP.

Our **dance and performance programme** has grown steadily and now makes up 37% of our total multi-art form offering, up from 25% in 2011/12. The programme is diverse, from award-winning dance events like Meryl Tankard's *The Oracle* and Shobana Jeyasingh's *Strange Blooms*, to family shows like the UK premiere of *Timber!* – three generations of a family circus troupe from Quebec – and the world premiere of hip-hop dance sensation *Groove On Down The Road*, choreographed by Kate Prince and her award-winning dance company ZooNation, and co-produced by Southbank Centre. We also presented two touring co-productions: *The Queen's Knickers*, a family production adapted from the book by Nicholas Allan, co-produced with the Egg Theatre Royal in Bath, which was shown at the Oxford Playhouse following its presentation at the co-producing venues, with an extensive national tour scheduled for autumn 2014. Meanwhile, *Limbo*, a circus show co-produced with Underbelly Productions and Strut & Fret Productions, was presented at Southbank Centre in the London Wonderground and at the Edinburgh Festival; it has also toured to Sydney Festival and Adelaide Festival.

### “More people experience and are inspired by the arts”

**Festival of Neighbourhood** was created in collaboration with local communities and partners from across the UK and abroad – from Lambeth, Brixton, Vauxhall and Deptford in South London, to artists and young people from Pelourinho in Salvador, Brazil. 90 volunteers engaged in the festival, and we supported their development with an employability workshop. In 2013/2014 Southbank Centre had a total pool of 180 volunteers from many backgrounds recruited through local networks and organisations working with young people, long-term unemployed, homeless, and people with learning disabilities.

**Touring projects** form an increasingly important part of our programme. In 2013/14, Southbank Centre touring exhibitions, festivals and commissions were seen at 49 UK venues outside London stretching from Edinburgh to Cornwall and from Aberystwyth to Norwich. We also continued to grow our work overseas, with 15 international institutions presenting a variety of Southbank Centre projects and co-productions.

The body of UK touring work included our **Hayward Touring** and **Arts Council Collection** exhibition programmes which reached over 870,000 people in all parts of the country in 2013/14. Record-breaking audiences were achieved for the Arts Council Collection's national tour of Grayson Perry's *The Vanity of Small Differences* and Hayward Touring's *Curiosity: Art & the Pleasure of Knowing* and *All That is Solid Melts Into Air*.

The Arts Council Collection's regular loans to hospitals, universities, schools and charitable institutions reached an estimated 1.9m people in 2013, an increase of nearly 400,000 compared to 2012. One of the most significant loans was Roger Hiorn's iconic *Seizure, 2008/2013*, which opened as a new visitor attraction at Yorkshire Sculpture Park in June 2013, following acquisition by the Arts Council Collection. The work is on loan to YSP for a period of 10 years.

## REPORT OF THE TRUSTEE

This year Southbank Centre also started to work in partnership with other venues in the UK and abroad to present festivals. Our **WOW – Women of the World** festival took place in Derry-Londonderry as part of their City of Culture 2013 and in Cardiff, while abroad it was presented in Australia, in Sydney and in Katherine, Northern Territory. We also toured **Listen to the Twentieth Century** (a weekend reduction of **The Rest Is Noise**) to Shanghai and presented our first Festival Academy in Brazil, a training programme that worked with 30 local young people in Pelourinho, Salvador to stage the **Southbank Centre @ Pelourinho Festival**.

Other 2013/14 national and international touring projects included the stage adaption of *The Queen's Knickers*, presented at the Oxford Playhouse with an extensive national tour planned for autumn 2014; *Limbo*, presented at Edinburgh, Sydney and Adelaide Festivals; *2001 Space Odyssey* presented in Birmingham, Brussels and New York; *Icarus at the Edge of Time* presented in Malta, Philadelphia and Seattle; *Blade Runner* presented in Sydney; the Hayward Gallery's *Ana Mendieta: Traces* opened at Museum der Moderne in Salzburg at the end of March, while *Jeremy Deller: Joy in People* toured to Contemporary Art Museum St. Louis.

In 2013-14, we have expanded the reach of our festivals with a curated schedule of digital media live broadcasts and distribution, and by growing communities of interest around Southbank Centre via social media. We also commissioned or curated born-digital programming in a variety of media.

In June 2013, we acquired the capability to video capture our performances in-house with HD robotic video cameras. At the same time, we defined a rights framework equitable to ourselves and the artists we work with. This capability was used to capture performances plus talks and sessions from Yoko Ono's Meltdown.

Last year, Southbank Centre succeeded in 'taking WOW online', digitally engaging an audience of approximately 120K people in the six months following the festival in March on YouTube, social media and our website. In 2014 we built on this good work with an ambitious digital production, delivering a full social media campaign before, during and after the festival which resulted in the #WOWLDN hashtag trending in London and nationally during the festival. We video captured many of the events as well.

To date the total number of video views on our YouTube channel for WoW and Yoko Ono's Meltdown video content is 287,153 video views.

This breaks down as 192,782 views for the WOW playlist of 68 videos (32 hours of content) and 94,371 views for the Yoko Ono's Meltdown playlist of 25 videos (14 hours of content) since each festival.

On 29 March 2014, Southbank Centre celebrated the first day of the Marriage (Same Sex Couples) Act with Sandi and Debbie Toksvig, when they renewed their civil partnership vows in a free, public event in the Royal Festival Hall, attended by 2000 people.

Now in its fourth year **WOW – Women of the World Festival** has established itself as a leading platform for discussing the obstacles that prevent women and girls from achieving their full potential and contributing to the world, with the very best of recognised and emerging female talent across all fields and industries raising their voices for gender equality.

## REPORT OF THE TRUSTEE

Southbank Centre consistently attracts a more ethnically diverse audience than other organisations within the cultural sector, particularly for our free offer; on average 15% of site visitors (i.e. those engaging with on-site art installations or free events) during our 2013/14 festivals were from a Black and Minority Ethnic (BAME) background, compared to 10% of arts attenders in England. We continued to attract a large proportion of BAME audiences through specific artistic programming with notable events including the **Darbar Festival** and **Alchemy**, an increasingly established and well-recognised celebration of South Asian arts, which in 2013 attracted 47% of ticket bookers from BAME backgrounds.

### “Every child and young person has the opportunity to experience the richness of the arts”

In June we announced a closer partnership with Lambeth Council to run the London-based Sistema England programme In Harmony Lambeth, one of six national programmes jointly funded by the Department for Education, Arts Council England and Southbank Centre. Inspired by Venezuela's El Sistema, In Harmony is primarily a social programme which uses the pursuit of musical excellence as a way to enrich the lives of children, young people, their families and the wider community in Stockwell, Lambeth. The benefits of orchestral music making include building skills and confidence, with teachers reporting a positive impact of the programme on educational attainment. Since the partnership was launched, In Harmony has worked with over 500 children who receive intensive lessons in school, with children also attending the after-school programme for an additional 4.5 hours per week per child; 80 young people regularly attend school-holiday courses.

Our festival programme continues to place young people at its heart. With more than 100 events, the **Imagine Festival 2014** was our biggest yet, with the Kids Advisory Group steering the direction of the festival and challenging a panel of politicians and influential figures about what matters to them in this year's *Children's Question Time*. During half term, the Kids Takeover project gave 75 children from local primary schools the chance to manage the day-to-day running of the festival. Young WOWsers acted as ambassadors during **WOW -- Women of the World Festival**, our global festival celebrating the achievements of women and girls, which also featured the WOWHack with young girls programming. During **Alchemy** we worked with young Alchemists. Meanwhile, **Pull Out All the Stops** has featured an extensive programme of activities for schools.

Diversity is at the heart of our engagement with young people. A weekend resident at Southbank Centre, Tomorrow's Warriors, a multicultural organisation with a special focus on young musicians from the African diaspora and girls aged 11-25, were a major contributor to our Nucleo Weekend in June and performed as part of the WOW orchestra in Sandi Toksvig's Mirth Control event, celebrating International Women's Day. Other projects, such as the Udderbelly Training Academy, a professional arts events management programme delivered by SE1 United are designed to reach disadvantaged young people, many from BAME backgrounds.

We are integrating digital content in our work with children and young people. In collaboration with Southbank Centre's Learning and Participation department and Technology Will Save Us, a company who provide access to digital technology, we ran several workshops which introduced school-age children to Arduino technology and digital making as part of Imagine. The children learned how to build a music-making device and programmed the hardware to create an animation. Two of the digital workshops were offered as ticketed sessions and sold out.

Also as part of Imagine, the Festival Ideas Cloud (young festival makers) conceived a time machine, which was made real in the Royal Festival Hall. This fun interactive installation introduced children and parents to Arduinos, modular synthesised audio and real-time video capture.

## REPORT OF THE TRUSTEE

### **Commercial**

Southbank Centre's contribution from commercial activities in 2013-14 was very similar to the 2012-13 level. As there were a number of projects related to the London Olympics in 2012-13, which were not repeated in the year just ended, this was a good result. Reasonable summer weather contributed to a good performance from the restaurants, bars and cafes, as did the high volumes of tourists visiting London. We augmented the established operators with temporary 'pop-ups' of various kinds to ensure a diversity of offer to the many different visitors that come to Southbank Centre. Many of the units here operate at capacity at peak times with long waits for tables. Finding ways to increase the provision therefore provides a more enjoyable experience for our visitors.

Our hall and space rentals saw a decline compared to 2012-13, with fewer large-scale bookings, compensated by concessions and car park income. We continue to introduce new events such as the vintage classic car boot sale, with the objective of providing reasons for days out at Southbank Centre. We continue to increase the proportion of free programming, which draws more people to the site and increases their spend in our shops and restaurants.

Membership income showed an impressive 30% growth, with an increase in numbers as well as the income from a variety of special events for members.

### **Development**

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

In 2013/14 the Development Department achieved income of £2.7m (2012/13: £3.6m) from Corporate, Trusts & Foundations and Individual Giving, which includes £0.2m (2012/13:£1.2m) of enabling income. The net contribution to Southbank Centre's charitable activities and overheads after deducting direct expenditure (including payroll) was £2m (2012/13: £2.9m).

Income of £1.5m (2012/13: £1.5m) was achieved via Development Events, which incorporates the hiring of space for commercial purposes. The net contribution to Southbank Centre's charitable activities and overheads after deducting direct expenditure (including payroll) was £1.1m (2012/13: £1.2m).

This excludes significant Capital income such as the Royal Festival Hall organ and Festival Wing project which is shown as funding for assets under construction.

### **Capital Project Developments**

#### *Organ Restoration*

Southbank Centre finished its £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 was undertaken by Harrison & Harrison in Durham, who designed and built the organ in 1954 with Ralph Downes CBE. The final 3,300 pipes were installed in summer 2013. The organ was launched with a gala concert and the Pull Out All the Stops Festival in March 2014, 60 years after it was first installed, to widespread acclaim over the quality of the instrument. The organ is a central feature of the Royal Festival Hall, and with its re-installation, the restoration project is finally complete.

## SOUTHBANK CENTRE

### REPORT OF THE TRUSTEE

Many people had made the restoration possible with donations of every size. We are very grateful to the Heritage Lottery Fund for their significant contribution as well as to the over 60,000 people who also contributed. Southbank Centre's Chairman raised over £100,000 to secure the total needed by leading a team of cyclists carrying the last pipe from Durham to Southbank Centre in 24 hours.

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

In March 2013, we unveiled our proposals to transform the Festival Wing to create, together with the successful Royal Festival Hall refurbishment, a world-class cultural centre for the 21st century, providing more art for more people in better spaces.

The objectives of the Festival Wing project were and remain central to the future of Southbank Centre. The 1960s buildings are in a desperate state of repair. The Festival Wing plans brought them up to industry standard for international venues and contemporary artistic practice. The Southbank Centre site is split in two by the service road between the Festival Wing and the Royal Festival Hall. Access around the Festival Wing, up onto Waterloo Bridge and down to the river is tortuous. This part of the site can be gloomy and forbidding in contrast with the welcoming surroundings of the Royal Festival Hall. The project included moving the service road and sorting out the public realm, adding a new public square, steps and central foyer to create a wonderful series of indoor and outdoor spaces for art and public use. A large proportion of the buildings are inaccessible or underutilised undercrofts and terraces: these were to be brought into use for art and supporting commercial activity.

The success of Southbank Centre's unique festival model and our participative approach to making and enjoying artistic and cultural experience mean that we are exceeding the capacity of the site. We do not have adequate facilities for developing our programmes for children and young people. One of our most exciting assets, the nation's Poetry Library, is hidden on the fifth floor of the Royal Festival Hall. We have no rehearsal space on site for our resident orchestras or visiting orchestras and music groups. A new liner building along Waterloo Bridge and a Glass Pavilion on top of the new foyer were designed as part of the project.

During 2013-14, these plans were developed in detail. Intensive consultations were held with the wide ranging stakeholder groups involved and a planning application was submitted.

Widely welcomed at launch in 2013 for its provision of new facilities and public realm improvements, the Festival Wing met sustained objections over proposals to relocate skateboarding from the undercroft of the Queen Elizabeth Hall. Relocation would have allowed the centre to raise £35m from commercial partnerships in order to fund the Festival Wing. The centre was forced to withhold its scheme in February 2015 due to the large funding gap.

We are committed to achieving the objectives we have set out for the project. We are delighted that the Arts Council solicited a capital grant application from us to address the most pressing repair work and that we have been successful with an award of £16.7m. We will be undertaking this work in 2015-16. We have other grant applications in process that will enable us to extend the project to include refurbishment of some of the historical features of the buildings.

Meanwhile we remain committed to the vision of a world class centre for the arts on the Southbank, worthy of its location at the heart of one of the world's great cities, meeting the needs of the communities that we serve and providing a showcase and support to arts and culture from across the UK and beyond. We therefore feel it is time to step back and search for a new, complete vision for the whole South Bank cultural quarter and are working with our neighbours to explore ways of making this possible.

## SOUTHBANK CENTRE

### REPORT OF THE TRUSTEE

#### Financial Review

Southbank Centre made a deficit of £2.32m on the unrestricted operations fund before reserves transfers.

| <u>Income</u>                   | <b>2014</b>   |             | <b>2013</b>   |             |
|---------------------------------|---------------|-------------|---------------|-------------|
|                                 | <b>£'000</b>  |             | <b>£'000</b>  |             |
| Donations and sponsorship       | 2,660         | 6%          | 3,569         | 8%          |
| Arts Council revenue grant      | 17,170        | 42%         | 16,831        | 40%         |
| Activities for generating funds | 13,411        | 32%         | 13,400        | 31%         |
| Income from artistic activity   | 8,564         | 20%         | 8,805         | 21%         |
| Interest receivable             | 11            | 0%          | 35            | 0%          |
| <b>Total operating income</b>   | <b>41,816</b> | <b>100%</b> | <b>42,640</b> | <b>100%</b> |

Overall Southbank Centre's operating income decreased by 2% compared to the previous year. Unrestricted Arts Council England revenue grant funding and income from generating funds remained constant year on year. Income from artistic activity and from donations and sponsorship decreased by £0.9m due mainly to one-off funding for Olympics related projects in 2012/13.

#### Expenditure

|                                    | <b>2014</b>   |             | <b>2013</b>   |             |
|------------------------------------|---------------|-------------|---------------|-------------|
|                                    | <b>£'000</b>  |             | <b>£'000</b>  |             |
| Cost of fundraising                | 923           | 2%          | 873           | 2%          |
| Retail and trading                 | 5,742         | 13%         | 5,431         | 12%         |
| Cost of charitable activities      | 37,146        | 84%         | 37,138        | 84%         |
| Governance                         | 350           | 1%          | 338           | 1%          |
| <b>Total operating expenditure</b> | <b>44,161</b> | <b>100%</b> | <b>43,780</b> | <b>100%</b> |

Operating expenditure increased by 1% compared to the previous year, principally due to inflationary increases in operating and staff costs. Retail and trading costs increased by £0.3m reflecting increased cost of sales for the shops and some additional retail estate management costs.

#### **Vision**

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

#### **Mission**

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

#### **Objectives**

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

## REPORT OF THE TRUSTEE

### Strategies to achieve main objectives

#### Artistic strategy

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's mission, to draw everyone possible to this loved site and captivate them through our unique arts programme and warmth of our welcome, comes from our commitment to the original ideal that art is for everyone.

In recent years, we have drawn on our festival heritage to create an artistic programme that integrates many different artforms, and makes use of all the possibilities offered by the 21 acre site and our venues, based around a series of annual and one-off themed festivals. Much of our programme is free and we aim to use our site and the range of our content to attract as many people as possible to the arts, particularly those who have had least opportunity to experience them. Our market research confirms that we are achieving our ambition of a year-round sense of festival at Southbank Centre: it is a place where people say "there is always something to see and do at Southbank Centre." Further, the festival programme provides the framework for cultural activism in a very positive way, providing the platform to consider such issues as children's rights to culture and the challenges of 'Being a Man' in contemporary society.

Southbank Centre is developing ways in which we can take our festivals and new commissions on tour nationally and internationally, working in collaboration with partners to bring these programmes to the widest possible audiences. In 2015, supported by generous funding from the Arts Council, Alchemy, our festival of culture connected with the Indian subcontinent, will go on tour with Black Country Touring, Cast and the Oldham Coliseum. As part of this collaboration the partners will work together on a programme inspired by Alchemy themes. Each organisation will lead on a significant piece of work, which will be presented to the partners' local communities and will tour to all venues next year. In addition, the aim of the project is to develop a jointly-led model for festival touring. Another example of Southbank Centre's collaborative approach to working with partners is the rapidly developing national and international network of WoW – Women of the World Festivals.

A key aspect of Southbank Centre's artistic strategy is a collaborative and participative approach to creating festivals, working with artists, performers and groups from across the UK, of varying experience.

In 2014-15, our summer festival theme is Festival of Love, sponsored by MasterCard.

#### Learning and Participation

Southbank Centre's learning and participation work is directly connected to our origins in the South Bank Exhibition of the 1951 Exhibition. Then as now opportunities to learn and to find out, to be astonished and thrilled, the chance to bump into art and ideas was fundamental to the experience of visiting the site. Learning and participation was not a special programme added on to make sense of other more specialised performances and events: it was the prism through which everything else was experienced.

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



## REPORT OF THE TRUSTEE

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

In particular, we will develop Southbank Centre's potential as a heritage and research site in the popular imagination and in popular understanding and to lead a new wave of heritage participation within the cultural sector at large.

### **Digital Strategy**

We made great progress in 2013-14 in improving our digital infrastructure and capabilities. We implemented a new video capture system which enables us to stream the performance from any of our venues at the push of a button. We made more of our work available to a wider audience digitally. We enhanced the performance of our website and its transactional processes, making it easier to buy tickets and order other services online. We moved further towards our goal to becoming a digital workforce with the implementation of Google apps, enabling all our staff to work on the devices best suited to their roles, wherever and whenever necessary.

In 2014-15 we will move beyond this kind of basic functionality to make Southbank Centre's presence on the web a digital destination in its own right, rather than an online tool to facilitate a visit. By integrating content and experience (drawn from our existing programme as well as specially created for the digital space) across all digital platforms we plan to extend the reach of everything we do nationally and internationally. Our ambition is to offer a learning experience to everyone who touches us digitally and be a leading cultural hub for learning and the use of digital technologies. Through the web we will amplify our social purpose and the ideas behind our festivals.

This year is the 25th anniversary of the invention of the Web, and we will be partnering with Sir Tim Berners-Lee's World Wide Web Foundation, together with the British Library and other organisations, in the global campaign for the Web We Want. Southbank Centre's festival of the same name is dedicated to the idea that the World Wide Web can empower people to bring about positive change in their lives and the lives of others. The festival's ambitious programme of talks, debates, performances and installations will run from September 2014 to May 2015

### **Entrepreneurship and financial sustainability**

With the refurbishment of the Royal Festival Hall Southbank Centre developed a funding model whereby commercial activity not only animated the public spaces and provided a reason to visit, it also created the means to pay for such large scale capital improvements by providing the income to support commercial loans. The increase in commercial income has bridged the cuts in public sector funding that have been a feature of recent years and has allowed us to increase our free programme. The Governors consider that more effort is required to demonstrate the vital role that the commercial activity plays in insuring the financial sustainability of Southbank Centre. Approximately 30% of the annual budget is spent on running the site and keeping the buildings open to the public, without which there would be no art for the public to see. We aim to move towards a funding model whereby we are able to raise sufficient commercial income to cover all of these site and operating costs. This would mean that the ACE grant we receive, all the ticket income, membership income and other fund raising could be dedicated to creating and presenting art. Despite our successes so far, this would require a significant increase of almost 20% commercial income.

### **Developing audiences**

We aim to understand our audiences better, increase numbers and extend our reach, with a particular focus on the unticketed audience for our extensive free programming. Our research programme involves internet surveys, as well as in-depth surveys of visitors, and demonstrates that we continue to attract 'hard to reach' groups and people who are new to the arts.

## REPORT OF THE TRUSTEE

### Public Benefit

The Governors confirm that they have referred to the information contained in the Charity Commission's general guidance on public benefit, including the guidance on public benefit and fee charging, when reviewing Southbank Centre's aims and objectives and planning future activities. Southbank Centre relies mainly on the Arts Council England revenue grant, income generated from commercial activities, fundraising and box office income to cover its operating costs. When determining ticket prices, careful consideration is given to ensuring the accessibility of Southbank Centre's artistic activity to those on low income. Southbank Centre provides a wide range of artistic activity, including 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 above under *Review of the Business*.

### Employee Policies

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

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

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

### Reserves Policy

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

#### *Unrestricted reserves*

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

#### *Planned level of unrestricted reserves*

The charity budgets to deliver its charitable objectives while ensuring financial stability through aiming to keep adequate, but not excessive, levels of unrestricted reserves. It makes this assessment by looking at future cash requirements and setting budgets each year which ensure adequate cash liquidity taking into account the availability of headroom on financial facilities, expected cash inflows and suitable levels of contingency. Cash reserves at 31 March 2014 exceeded the target set at the beginning of the year by £0.7m due to timing of payments on capital expenditure.

#### *General Reserve*

As at 31 March 2014 the General Reserve balance was £2.6m (2013: £2.6m) which is sufficient to cover approximately three weeks of budgeted operating expenditure excluding any income.

## REPORT OF THE TRUSTEE

### *Designated Reserves*

As at 31 March 2014 Southbank Centre held five designated reserves:

#### *(i) Capital Reserve (£45.2m)*

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.

#### *(ii) Revaluation Reserve (£169.4m)*

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

#### *(iii) Hayward Gallery Prints Fund (£Nil)*

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

#### *(iv) Strategic Reserve (£0.3m)*

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

#### *(v) Pension Plan (-£3.7m)*

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

### *Review of the policy*

The Reserves Policy is reviewed annually.

### **Going Concern**

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

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

Southbank Centre substantially relies on funding by grants from Arts Council England for its current and future commitments, and operates on the basis that, taking one year with another, revenue will match expenditure (in the unrestricted operations fund). Arts Council England has confirmed funding for Southbank Centre to March 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.

## REPORT OF THE TRUSTEE

The current deficit of £3.7m on the Pension Plan as at 31 March 2014 represents a decrease of £0.4m on the deficit shown at the previous year end. The decrease in the deficit reflects the overall effect of actuarial gains combined with contributions paid. 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 financial statements.

### Funding Agreement

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

The year ended 31 March 2014 represents the second year of the current three-year funding cycle from Arts Council England. Arts Council England will announce its funding decisions for the period 2015-2018 on 1 July 2014.

### 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:

- Ageing buildings, infrastructure and building services in Queen Elizabeth Hall, Purcell Room and Hayward Gallery are at risk of significant failure
- Stakeholder and interest group management in relation to future of the Festival Wing project
- Business continuity in the event of IT or other business infrastructure failure
- 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.

## REPORT OF THE TRUSTEE

### Internal Financial Control

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

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

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

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

The Governors believe that Southbank Centre's system of internal financial control provides reasonable, but not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. The Audit and Risk Committee has monitored the operation and effectiveness of the system of internal financial control during the financial year ended 31 March 2014 through regular reports from Executive Management, reports from the internal auditor and comments made in the annual management letter from the external auditors.

### Annual audit

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

In so far as the Governors are aware:

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

### Political and Charitable Donations

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

## SOUTHBANK CENTRE

### REPORT OF THE TRUSTEE

#### Insurances

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

By Order of the Board



*R Haythornthwaite*

Chairman

Southbank Centre Limited

as Trustee for Southbank Centre

1 July 2014

**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**

**Report on the financial statements**

**Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2014 and of the group's and parent charity's incoming resources and application of resources and the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

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

**What we have audited**

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

- the group and parent charity balance sheet as at 31 March 2014;
- the consolidated statement of financial activities for the year then ended;
- the group operating statement for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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

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

**What an audit of financial statements involves**

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

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

In addition, we read all the financial and non-financial information in the Report of the Trustee to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

**Other information in the Annual Report**

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

We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the trustees**

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

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

This report, including the opinions, has been prepared for and only for the charity's trustee as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
1 July 2014

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

**SOUTHBANK CENTRE**  
**GROUP OPERATING STATEMENT**  
Year ended 31 March 2014

|   | 2014<br>£'000  | 2013<br>£'000 |
|---|----------------|---------------|
| <b>INCOME</b>   |                |               |
| Donations and sponsorships                                      | 2,660          | 3,569         |
| Arts Council revenue grant                                      | 17,170         | 16,831        |
| Activities for generating funds                                 | 13,411         | 13,400        |
| Income from artistic activity                                   | 8,564          | 8,805         |
| Interest receivable   | 11             | 35            |
| Total operating income  | <u>41,816</u>  | <u>42,640</u> |
| <b>EXPENDITURE</b>  |                |               |
| Costs of fundraising  | 923            | 873           |
| Retail and trading  | 5,742          | 5,431         |
| Costs of charitable activities                                  | 37,146         | 37,138        |
| Governance  | 350            | 338           |
| Total operating expenditure                                     | <u>44,161</u>  | <u>43,780</u> |
| <b>TRANSFERS</b>  |                |               |
| Use of restricted project funds                                 | 24             | -             |
| Transfer to designated funds                                    | -              | -             |
| Transfer to general reserves                                    | 2,321          | 1,140         |
| <b>OPERATING SURPLUS</b>  | <u>-</u>       | <u>-</u>      |
| <b>RECONCILIATION TO STATEMENT OF FINANCIAL ACTIVITIES</b>      |                |               |
| Operating Surplus   | -              | -             |
| Income for Restricted Capital                                   | 5,969          | 6,837         |
| Income for Designated Funds                                     | 596            | 641           |
| Total resources expended - Designated Funds                     | (7,171)        | (6,857)       |
| Use of restricted reserves                                      | (24)           | -             |
| Transfer to general reserves                                    | (2,321)        | (1,140)       |
| Net outgoing resources before other recognised gains and losses | <u>(2,951)</u> | <u>(519)</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 £557,000 of costs directly attributable to the Development team, and £366,000 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 2014

|   | Notes | Unrestricted funds |                | Restricted funds |              | Total funds    |                 |
|---|-------|--------------------|----------------|------------------|--------------|----------------|-----------------|
|   |       | Operations         | Designated     | Projects         | Capital      | 2014           | 2013            |
|   |       | £'000              | £'000          | £'000            | £'000        | £'000          | £'000           |
| <b>INCOMING RESOURCES</b>   |       |                    |                |                  |              |                |                 |
| <b>Incoming resources from generated funds</b>                                    |       |                    |                |                  |              |                |                 |
| <i>Voluntary income</i>   |       |                    |                |                  |              |                |                 |
| Donations and sponsorship   |       | 2,036              | -              | 624              | -            | 2,660          | 3,591           |
| Arts Council grant  |       | 16,922             | -              | 248              | 2,579        | 19,749         | 22,664          |
| Funding for assets under construction   |       | -                  | -              | -                | 3,390        | 3,390          | 1,004           |
| <i>Activities for generating funds</i>  | 3     | 13,411             | -              | -                | -            | 13,411         | 13,400          |
| <i>Interest receivable</i>  | 9     | 11                 | -              | -                | -            | 11             | 35              |
|   |       | <u>32,380</u>      | <u>-</u>       | <u>872</u>       | <u>5,969</u> | <u>39,221</u>  | <u>40,694</u>   |
| <b>Incoming resources from charitable activities</b>                              |       |                    |                |                  |              |                |                 |
| Artistic activity   | 3     | 8,564              | 596            | -                | -            | 9,160          | 9,424           |
| <b>Total incoming resources</b>   |       | <u>40,944</u>      | <u>596</u>     | <u>872</u>       | <u>5,969</u> | <u>48,381</u>  | <u>50,118</u>   |
| <b>RESOURCES EXPENDED</b>   |       |                    |                |                  |              |                |                 |
| <b>Costs of generating funds</b>  |       |                    |                |                  |              |                |                 |
| Costs of fundraising  | 5     | 923                | 279            | -                | -            | 1,202          | 906             |
| Retail and trading  | 5     | 5,742              | 448            | -                | -            | 6,190          | 6,000           |
|   |       | <u>6,665</u>       | <u>727</u>     | <u>-</u>         | <u>-</u>     | <u>7,392</u>   | <u>6,906</u>    |
| <b>Costs of charitable activities</b>   |       |                    |                |                  |              |                |                 |
| Artistic activity   | 5     | 36,250             | 4,974          | 896              | -            | 42,120         | 43,356          |
| Construction and refurbishment  | 5     | -                  | 1,470          | -                | -            | 1,470          | 37              |
|   |       | <u>36,250</u>      | <u>6,444</u>   | <u>896</u>       | <u>-</u>     | <u>43,590</u>  | <u>43,393</u>   |
| <b>Governance costs</b>   |       |                    |                |                  |              |                |                 |
|   | 5     | 350                | -              | -                | -            | 350            | 338             |
| <b>Total resources expended</b>   | 5     | <u>43,265</u>      | <u>7,171</u>   | <u>896</u>       | <u>-</u>     | <u>51,332</u>  | <u>50,637</u>   |
| <b>Net incoming/(outgoing) resources before transfers</b>                         | 2     | <u>(2,321)</u>     | <u>(6,575)</u> | <u>(24)</u>      | <u>5,969</u> | <u>(2,951)</u> | <u>(519)</u>    |
| <b>Transfers between funds</b>  | 14    | 2,321              | 3,783          | -                | (6,104)      | -              | -               |
| <b>Net (outgoing)/incoming resources before other recognised gains and losses</b> |       | <u>-</u>           | <u>(2,792)</u> | <u>(24)</u>      | <u>(135)</u> | <u>(2,951)</u> | <u>(519)</u>    |
| <b>Other recognised gains and losses</b>  |       |                    |                |                  |              |                |                 |
| Loss on fixed asset revaluation   |       | -                  | -              | -                | -            | -              | (37,006)        |
| Actuarial (losses)/gains on defined benefit pension schemes                       | 17    | -                  | (162)          | -                | -            | (162)          | 95              |
| <b>Net movement in funds</b>  |       | <u>-</u>           | <u>(2,954)</u> | <u>(24)</u>      | <u>(135)</u> | <u>(3,113)</u> | <u>(37,430)</u> |
| <b>RECONCILIATION OF FUNDS</b>  |       |                    |                |                  |              |                |                 |
| Net movement in funds   |       | -                  | (2,954)        | (24)             | (135)        | (3,113)        | (37,430)        |
| Fund balances brought forward   | 14    | 2,582              | 214,126        | 126              | 135          | 216,969        | 254,399         |
| <b>Total funds carried forward</b>  | 14    | <u>2,582</u>       | <u>211,172</u> | <u>102</u>       | <u>0</u>     | <u>213,856</u> | <u>216,969</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 27 to 44 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's (excluding Southbank Centre Enterprises Limited) gross income for the year was £39,917 (2013 gross income: £41,217).*

*Southbank Centre's net expenditure for the year was £8,679 (2013 net expenditure: £6,902)*

# SOUTHBANK CENTRE


## BALANCE SHEETS

As at 31 March 2014

|   | Notes   | Group           |                 | Charity         |                 |
|---|---------|-----------------|-----------------|-----------------|-----------------|
|   |         | 2014<br>£'000   | 2013<br>£'000   | 2014<br>£'000   | 2013<br>£'000   |
| <b>Fixed assets</b>                             |         |                 |                 |                 |                 |
| Tangible assets                                 | 7       | 238,202         | 239,995         | 238,202         | 239,995         |
| <b>Current assets</b>                           |         |                 |                 |                 |                 |
| Stocks of consumables and goods held for resale |         | 291             | 383             | 150             | 152             |
| Debtors - due within one year                   | 10      | 4,230           | 3,893           | 5,124           | 6,043           |
| Cash at bank and in hand                        |         |                 |                 |                 |                 |
| Cash held in other accounts                     |         | 3,525           | 5,180           | 2,649           | 2,917           |
| Total current assets                            |         | <u>8,046</u>    | <u>9,456</u>    | <u>7,923</u>    | <u>9,112</u>    |
| <b>Current liabilities</b>                      |         |                 |                 |                 |                 |
| Creditors: amounts falling due within one year  | 11      | (12,456)        | (11,355)        | (12,350)        | (11,054)        |
|   |         | <u>(12,456)</u> | <u>(11,355)</u> | <u>(12,350)</u> | <u>(11,054)</u> |
| Net current liabilities                         |         | (4,410)         | (1,899)         | (4,427)         | (1,942)         |
| Total assets less current liabilities           |         | 233,792         | 238,096         | 233,775         | 238,053         |
| Creditors: amounts falling due after one year   | 13      | (16,288)        | (17,045)        | (16,271)        | (17,002)        |
| Net assets excluding pension liability          |         | <u>217,504</u>  | <u>221,051</u>  | <u>217,504</u>  | <u>221,051</u>  |
| Defined benefit pension liability               | 17      | (3,648)         | (4,082)         | (3,648)         | (4,082)         |
| Net assets including pension liability          |         | <u>213,856</u>  | <u>216,969</u>  | <u>213,856</u>  | <u>216,969</u>  |
| <b>The funds of the charity</b>                 |         |                 |                 |                 |                 |
| <b>Unrestricted funds</b>                       |         |                 |                 |                 |                 |
| General reserves                                | 14      | 2,582           | 2,582           | 2,582           | 2,582           |
| Designated funds                                | 14      | 214,820         | 218,208         | 214,820         | 218,208         |
| Pension reserve                                 | 14 & 17 | (3,648)         | (4,082)         | (3,648)         | (4,082)         |
| Total designated funds                          |         | <u>211,172</u>  | <u>214,126</u>  | <u>211,172</u>  | <u>214,126</u>  |
| Total unrestricted funds                        | 14      | <u>213,754</u>  | <u>216,708</u>  | <u>213,754</u>  | <u>216,708</u>  |
| <b>Restricted funds</b>                         |         |                 |                 |                 |                 |
| Projects fund                                   | 14      | 102             | 126             | 102             | 126             |
| Restricted capital reserve                      | 14      | 0               | 135             | 0               | 135             |
| Total restricted funds                          | 14      | <u>102</u>      | <u>261</u>      | <u>102</u>      | <u>261</u>      |
| <b>Total funds</b>                              | 14      | <u>213,856</u>  | <u>216,969</u>  | <u>213,856</u>  | <u>216,969</u>  |

The notes on pages 27 to 44 form part of these financial statements

The financial statements on pages 20 to 44 were approved by the Board of trustees on 1 July 2014 and signed on its behalf by

  
R Haythornthwaite  
Chairman

## SOUTHBANK CENTRE

### CONSOLIDATED CASH FLOW STATEMENT (AND SUPPORTING ANALYSIS)

Year ended 31 March 2014

|  | Note | 2014<br>£'000  | 2013<br>£'000  |
|--|------|----------------|----------------|
| <b>CASH FLOW STATEMENT</b>                     |      |                |                |
| Net cash inflow from operating activities      |      | 3,620          | 7,410          |
| Returns on investment and servicing of finance |      |                |                |
| Interest received                              | 9    | 11             | 35             |
| Capital expenditure and financial investment   |      |                |                |
| Payments to acquire tangible fixed assets      | 7    | (4,954)        | (4,859)        |
| Sale of fixed assets                           |      |                | 40             |
| Net cash (outflow) / inflow before financing   |      | (1,323)        | 2,626          |
| Financing                                      |      |                |                |
| Loan repayments                                |      | <u>(332)</u>   | <u>(3,537)</u> |
| Decrease in cash balances                      |      | <u>(1,655)</u> | <u>(911)</u>   |

### RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATIONS

|   |    |              |              |
|---|----|--------------|--------------|
| Net outgoing resources before transfers   |    | (2,951)      | (519)        |
| Interest received                         |    | (11)         | (35)         |
| Depreciation charge                       | 7  | 6,747        | 8,040        |
| Loss on disposal of fixed assets          |    | -            | 23           |
| Decrease/(Increase) in stock              |    | 92           | (56)         |
| (Increase)/decrease in debtors            | 10 | (337)        | 610          |
| Increase/(decrease) in creditors          |    | 676          | (34)         |
| FRS17 movements                           |    | <u>(596)</u> | <u>(619)</u> |
| Net cash inflow from operating activities |    | <u>3,620</u> | <u>7,410</u> |

### ANALYSIS OF MOVEMENT IN NET DEBT

|                                   | Balance as at<br>1 April 2013<br>£'000 | Movement<br>in the year<br>£'000 | Balance as at<br>31 March 2014<br>£'000 |
|-----------------------------------|--|----------------------------------|---|
| Cash in hand and at bank          | 5,180                                  | (1,655)                          | 3,525                                   |
| Debt due within one year          | (332)                                  | (45)                             | (377)                                   |
| Debt due after more than one year | <u>(15,495)</u>                        | <u>377</u>                       | <u>(15,118)</u>                         |
|                                   | (15,827)                               | 332                              | (15,495)                                |
| <br>                              |  |                                  |   |
| Total                             | <u>(10,647)</u>                        | <u>(1,323)</u>                   | <u>(11,970)</u>                         |

### ANALYSIS OF CHANGES IN CASH DURING THE YEAR

|                  | 2014<br>£'000  | 2013<br>£'000 |
|------------------|----------------|---------------|
| Opening balance  | 5,180          | 6,091         |
| Net cash outflow | <u>(1,655)</u> | <u>(911)</u>  |
| Closing balance  | <u>3,525</u>   | <u>5,180</u>  |

**1 STATEMENT OF ACCOUNTING POLICIES**

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

a) *Basis of preparation*

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

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

Southbank Centre substantially relies on funding by grants from Arts Council England for its current and future commitments, and operates on the basis that, taking one year with another, revenue will match expenditure (in the unrestricted operations fund). Arts Council England has confirmed funding for Southbank Centre to March 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.

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

c) *Income recognition*

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

The following specific policies apply:

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

**1 STATEMENT OF ACCOUNTING POLICIES**

c) *Income recognition (continued)*

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

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

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

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

d) *Expenditure and resources expended*

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

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

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

Construction and refurbishment costs are those related to building projects.

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

e) *Fixed assets and depreciation*

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

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

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

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

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

**1 STATEMENT OF ACCOUNTING POLICIES**

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

f) *Heritage Assets*

Southbank Centre maintains the following types of heritage assets:

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

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

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

g) *Stocks*

Stocks are stated at the lower of cost and net realisable value and comprise catalogues and other goods held for resale. Cost is determined on a weighted average basis. A provision is made for slow moving, obsolete or defective stock to the extent that the cost price is estimated to exceed the net realisable value.

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

h) *Leases*

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



**1 STATEMENT OF ACCOUNTING POLICIES**

i) *Pensions*

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

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

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

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

j) *Foreign currencies*

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

k) *Derivative financial instruments*

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

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

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

l) *Funds*

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

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

m) *Taxation*

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

SOUTHBANK CENTRE  
NOTES TO THE FINANCIAL STATEMENTS

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

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| Net incoming/ (outgoing) resources are stated after charging:      |               |               |
| Leasing of land and buildings                                      | 110           | 95            |
| Depreciation charge on assets wholly owned by Southbank Centre     | 6,747         | 8,040         |
| Auditors' remuneration for audit services (Southbank Centre)       | 56            | 60            |
| Auditors' remuneration for non-audit work (PricewaterhouseCoopers) | -             | -             |
| Auditors' remuneration for audit services (Enterprises)            | 5             | 5             |
| Auditors' remuneration for tax and other fees                      | -             | -             |
| Liability insurance for Governors and employees                    | 9             | 7             |
| Losses on foreign exchange differences                             | 8             | 11            |

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

|  | Group         |               | Charity       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2014<br>£'000 | 2013<br>£'000 | 2014<br>£'000 | 2013<br>£'000 |
| <i>Activities for generating funds - retail and trading</i>              |               |               |               |               |
| Retail and catalogue sales   | 1,888         | 1,779         | 539           | 455           |
| Concessions and car parking  | 7,917         | 7,455         | 5,867         | 5,566         |
| Hall and space rentals   | 1,533         | 1,837         | -             | -             |
| Memberships and subscriptions  | 808           | 618           | 808           | 618           |
| Other income   | 1,265         | 1,711         | 32            | 35            |
|  | <u>13,411</u> | <u>13,400</u> | <u>7,246</u>  | <u>6,674</u>  |
| <i>Incoming resources from charitable activities - artistic activity</i> |               |               |               |               |
| Own promotions   | 5,735         | 5,605         | 5,735         | 5,605         |
| Artistic rentals   | 1,742         | 1,923         | 1,742         | 1,923         |
| Other income   | 1,683         | 1,896         | 1,683         | 1,896         |
|  | <u>9,160</u>  | <u>9,424</u>  | <u>9,160</u>  | <u>9,424</u>  |

SOUTHBANK CENTRE  
NOTES TO THE FINANCIAL STATEMENTS

**4 STAFF COSTS**

|                             | Total         |               |
|-----------------------------|---------------|---------------|
|                             | 2014          | 2013          |
|                             | £'000         | £'000         |
| Employee costs amounted to: |               |               |
| Wages and salaries          | 13,999        | 13,398        |
| Social security costs       | 1,330         | 1,286         |
| Pension costs               | 897           | 965           |
|                             | <u>16,226</u> | <u>15,649</u> |

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

The Governors (Chairman and Board members) are not remunerated for their services and Governors received £nil (2013: £nil) in reimbursement of travelling and subsistence expenses.

Monthly average full time equivalent employees were:

|                               | 2014       | 2013       |
|-------------------------------|------------|------------|
|                               | No.        | No.        |
| Operational services          | 56         | 58         |
| Marketing                     | 33         | 36         |
| Press & Communications        | 11         | 11         |
| Visitor Experience            | 118        | 102        |
| Retail Sales and Space Rental | 23         | 24         |
| Fundraising                   | 14         | 14         |
| Performing arts               | 67         | 56         |
| Hayward Gallery               | 47         | 52         |
| Management and administration | 58         | 48         |
| Site Project Team             | 6          | 3          |
|                               | <u>433</u> | <u>404</u> |

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

|                     | 2014      | 2013      |
|---------------------|-----------|-----------|
|                     | No.       | No.       |
| £60,000 - £69,999   | 4         | 7         |
| £70,000 - £79,999   | 8         | 8         |
| £80,000 - £89,999   | 3         | 1         |
| £90,000 - £99,999   | 1         | 1         |
| £120,000 - £129,999 | -         | 1         |
| £130,000 - £139,000 | 1         | 1         |
| £140,000 - £149,000 | 1         | -         |
| £220,000 - £229,000 | -         | 1         |
| £230,000 - £239,000 | 1         | -         |
|                     | <u>19</u> | <u>20</u> |

Of these 19 employees, Southbank Centre paid pension contributions of £66,696 (2013: £69,800) for 11 employees (2013: 12 employees) who were members of the defined contribution section of the pension scheme. Southbank Centre also paid contributions for 4 employees (2013: 5 employees) who were members of the defined benefit section of the pension scheme and £1,292 for 1 employee (2013: 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         | 2014<br>£'000 | 2013<br>£'000 |
| <b>Costs of generating funds</b>      |               |               |               |               |
| Costs of fundraising                  | 809           | 393           | 1,202         | 906           |
| Retail and trading                    | 2,967         | 3,223         | 6,190         | 6,000         |
| <b>Costs of charitable activities</b> |               |               |               |               |
| Artistic activity                     | 14,594        | 27,526        | 42,120        | 43,356        |
| Construction and refurbishment        | 1,470         | -             | 1,470         | 37            |
| <b>Governance Costs</b>               | 125           | 225           | 350           | 338           |
|                                       | <u>19,965</u> | <u>31,367</u> | <u>51,332</u> | <u>50,637</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                      | 2014<br>£'000 | 2013<br>£'000 |
| <b>Costs of generating funds</b>      |                               |                              |                 |               |                            |               |               |
| Costs of fundraising                  | 134                           | 104                          | 44              | 78            | 33                         | 393           | 390           |
| Retail and trading                    | 720                           | 553                          | 72              | 1,316         | 562                        | 3,223         | 3,233         |
| <b>Costs of charitable activities</b> |                               |                              |                 |               |                            |               |               |
| Artistic activity                     | 3,537                         | 2,722                        | 726             | 14,389        | 6,152                      | 27,526        | 28,461        |
| <b>Governance</b>                     | 225                           |                              |                 |               |                            | 225           | 212           |
| <b>TOTAL support costs</b>            | <u>4,616</u>                  | <u>3,379</u>                 | <u>842</u>      | <u>15,783</u> | <u>6,747</u>               | <u>31,367</u> | <u>32,296</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:

|                                | 2014<br>£'000 | 2013<br>£'000 |
|--------------------------------|---------------|---------------|
| Internal audit                 | 55            | 54            |
| External audit                 | 61            | 65            |
| Governors' Indemnity insurance | 9             | 7             |
| Apportionment of staff costs   | 225           | 212           |
|                                | <u>350</u>    | <u>338</u>    |

SOUTHBANK CENTRE  
NOTES TO THE FINANCIAL STATEMENTS

**7 TANGIBLE ASSETS**

| Group and charity               | Land and Buildings (Artistic) £'000 | Land and Buildings (Other) £'000 | Assets under Construction £'000 | Fixtures and Fittings £'000 | Plant and Machinery £'000 | Motor Vehicles £'000 | Total £'000 |
|---------------------------------|-------------------------------------|----------------------------------|---------------------------------|-----------------------------|---------------------------|----------------------|-------------|
| <i>Cost</i>                     |                                     |                                  |                                 |                             |                           |                      |             |
| At 1 April 2013                 | 210,747                             | 24,691                           | 5,417                           | 7,011                       | 6,455                     | 223                  | 254,544     |
| Additions                       |                                     | 23                               | 3,218                           | 434                         | 1,187                     | 92                   | 4,954       |
| Transfers                       |                                     | 2,396                            | (2,396)                         | -                           | -                         | -                    | 0           |
| Disposals                       |                                     |                                  | -                               | (541)                       | (117)                     | -                    | (658)       |
| At 31 March 2014                | 210,747                             | 27,110                           | 6,239                           | 6,904                       | 7,525                     | 315                  | 258,840     |
| <i>Accumulated depreciation</i> |                                     |                                  |                                 |                             |                           |                      |             |
| At 1 April 2013                 | -                                   | 5,062                            | -                               | 3,890                       | 5,408                     | 189                  | 14,549      |
| Charge in year                  | 4,973                               | 591                              | -                               | 556                         | 617                       | 10                   | 6,747       |
| On disposals                    |                                     |                                  | -                               | (541)                       | (117)                     | -                    | (658)       |
| At 31 March 2014                | 4,973                               | 5,653                            | -                               | 3,905                       | 5,908                     | 199                  | 20,638      |
| <i>Net Book Value</i>           |                                     |                                  |                                 |                             |                           |                      |             |
| At 31 March 2014                | 205,774                             | 21,457                           | 6,239                           | 2,999                       | 1,617                     | 116                  | 238,202     |
| At 31 March 2013                | 210,747                             | 19,629                           | 5,417                           | 3,121                       | 1,047                     | 34                   | 239,995     |

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

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

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

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

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

## **8 HERITAGE ASSETS**

### **The Southbank Centre Collection**

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

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

### **The Southbank Centre Archive**

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

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

### **Poetry Library**

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

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

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

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

SOUTHBANK CENTRE  
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**9 INTEREST RECEIVABLE**

|                                      | Group         |               | Charity       |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2014<br>£'000 | 2013<br>£'000 | 2014<br>£'000 | 2013<br>£'000 |
| Interest receivable on bank deposits | 11            | 35            | 8             | 29            |
|                                      | <u>11</u>     | <u>35</u>     | <u>8</u>      | <u>29</u>     |

**10 DEBTORS**

|                                      | Group         |               | Charity       |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2014<br>£'000 | 2013<br>£'000 | 2014<br>£'000 | 2013<br>£'000 |
| Trade debtors                        | 1,004         | 983           | 546           | 487           |
| Other debtors                        | 1,358         | 672           | 1,283         | 557           |
| Amounts owed from group undertakings | -             | -             | 1,728         | 3,083         |
| Prepayments and accrued income       | 1,868         | 2,238         | 1,567         | 1,916         |
|                                      | <u>4,230</u>  | <u>3,893</u>  | <u>5,124</u>  | <u>6,043</u>  |
| Accrued income - due after one year  | -             | -             | -             | -             |
|                                      | <u>4,230</u>  | <u>3,893</u>  | <u>5,124</u>  | <u>6,043</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       |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2014<br>£'000 | 2013<br>£'000 | 2014<br>£'000 | 2013<br>£'000 |
| Trade creditors                     | 2,529         | 1,986         | 2,529         | 1,979         |
| Loans                               | 377           | 332           | 377           | 332           |
| Amounts owed to group undertakings  | -             | -             | 145           | 207           |
| Advanced ticket sales               | 3,101         | 2,794         | 3,101         | 2,794         |
| Accruals & Deferred income          | 6,449         | 6,243         | 6,198         | 5,742         |
| Total creditors due within one year | <u>12,456</u> | <u>11,355</u> | <u>12,350</u> | <u>11,054</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      |              |
|---------------------------------|--------------|--------------|--------------|--------------|
|                                 | 2014         | 2013         | 2014         | 2013         |
|                                 | £'000        | £'000        | £'000        | £'000        |
| Deferred income brought forward | 3,655        | 5,186        | 3,293        | 3,896        |
| Released in the year            | (2,612)      | (3,729)      | (2,248)      | (2,440)      |
| Deferred in the year            | 2,184        | 2,198        | 1,942        | 1,837        |
| Deferred income carried forward | <u>3,227</u> | <u>3,655</u> | <u>2,987</u> | <u>3,293</u> |

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

|                 | Group         |               | Charity       |               |
|-----------------|---------------|---------------|---------------|---------------|
|                 | 2014          | 2013          | 2014          | 2013          |
|                 | £'000         | £'000         | £'000         | £'000         |
| Deferred income | 1,170         | 1,550         | 1,153         | 1,507         |
| Loans           | <u>15,118</u> | <u>15,495</u> | <u>15,118</u> | <u>15,495</u> |
|                 | <u>16,288</u> | <u>17,045</u> | <u>16,271</u> | <u>17,002</u> |

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

|                          |               |               |               |               |
|--------------------------|---------------|---------------|---------------|---------------|
| Within one year          | 377           | 332           | 377           | 332           |
| Within two to five years | 2,133         | 1,930         | 2,133         | 1,930         |
| After five years         | 12,985        | 13,565        | 12,985        | 13,565        |
|                          | <u>15,495</u> | <u>15,827</u> | <u>15,495</u> | <u>15,827</u> |

The loans consist of the following facilities:

- A term loan of £17.7m provided by AIB Group (UK) plc which is secured by a fixed charge over the Royal Festival Hall extension building. This facility is repayable in quarterly instalments until 2027.

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



SOUTHBANK CENTRE  
NOTES TO THE FINANCIAL STATEMENTS

**14 GROUP & CHARITY RESERVES**

|                                 | Balances as at<br>1 April 2013<br>£'000 | Movements in resources |                   | Other Gains<br>& Losses<br>£'000 | Transfers<br>in/(out)<br>£'000 | Balances as at<br>31 March 2014<br>£'000 |
|---------------------------------|---|------------------------|-------------------|----------------------------------|--------------------------------|--|
|                                 |   | Incoming<br>£'000      | Outgoing<br>£'000 |                                  |                                |  |
| <i>Unrestricted funds</i>       |   |                        |                   |                                  |                                |  |
| General Reserve                 | 2,582                                   | 40,944                 | (43,264)          | -                                | 2,320                          | 2,582                                    |
| <i>Designated funds</i>         |   |                        |                   |                                  |                                |  |
| Strategic Reserve               | 260                                     | -                      | -                 | -                                | -                              | 260                                      |
| Designated Capital Reserve      | 48,467                                  | -                      | (7,099)           | -                                | 3,784                          | 45,152                                   |
| Revaluation Reserve (Restated)  | 169,405                                 | -                      | -                 | -                                | -                              | 169,405                                  |
| Hayward Gallery Prints Fund     | 76                                      | -                      | (72)              | -                                | -                              | 4  |
| Pension Plan Reserve (note 17)  | (4,082)                                 | 596                    | -                 | (162)                            | -                              | (3,648)                                  |
| <b>Total unrestricted funds</b> | <b>216,708</b>                          | <b>41,540</b>          | <b>(50,436)</b>   | <b>(162)</b>                     | <b>6,104</b>                   | <b>213,754</b>                           |
| <i>Restricted funds</i>         |   |                        |                   |                                  |                                |  |
| Restricted Capital Reserve      | 135                                     | 5,969                  | -                 | -                                | (6,104)                        | 0  |
| Projects Fund                   | 126                                     | 872                    | (896)             | -                                | -                              | 102                                      |
| <b>Total restricted funds</b>   | <b>261</b>                              | <b>6,841</b>           | <b>(896)</b>      | <b>-</b>                         | <b>(6,104)</b>                 | <b>102</b>                               |
| <b>TOTAL funds (2014)</b>       | <b>216,969</b>                          | <b>48,381</b>          | <b>(51,332)</b>   | <b>(162)</b>                     | <b>-</b>                       | <b>213,856</b>                           |
| <b>TOTAL funds (2013)</b>       | <b>254,399</b>                          | <b>50,118</b>          | <b>(50,637)</b>   | <b>(36,911)</b>                  | <b>-</b>                       | <b>216,969</b>                           |

*Unrestricted funds* There are six unrestricted funds, five 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 *Designated Capital Reserve* reflects funds designated for capital projects, costs relating to capital projects (including interest), maintenance and depreciation on funded assets.

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

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

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

*Restricted funds* There are two restricted funds:

The *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*

£2.3m was transferred from the Restricted Capital Reserve to the General Reserve in the year reflecting Arts Council capital grant in aid funding received where the restricted purpose has been fulfilled.

£3.8m was transferred in the year from the restricted Capital Reserve to the unrestricted Designated Capital Reserve reflecting grant income and Arts Council England capital funding received where the restricted purpose has been fulfilled.

SOUTHBANK CENTRE  
NOTES TO THE FINANCIAL STATEMENTS

**14 GROUP & CHARITY RESERVES - CONTINUED**

**Analysis of net assets between funds**

|                                      | Restricted<br>funds<br>£'000 | Unrestricted<br>funds<br>£'000 | Total funds<br>2014<br>£'000 | 2013<br>£'000  |
|--------------------------------------|------------------------------|--------------------------------|------------------------------|----------------|
| Tangible fixed assets                |                              | 238,202                        | 238,202                      | 239,995        |
| Current assets                       | 102                          | 7,944                          | 8,046                        | 9,456          |
| Current liabilities                  |                              | (12,456)                       | (12,456)                     | (11,355)       |
| Creditors falling due after one year |                              | (16,288)                       | (16,288)                     | (17,045)       |
| Pension plan liability               |                              | (3,648)                        | (3,648)                      | (4,082)        |
|                                      | <u>102</u>                   | <u>213,754</u>                 | <u>213,856</u>               | <u>216,969</u> |

**15 CAPITAL COMMITMENTS**

| <i>Group and charity</i>  | 2014<br>£'000 | 2013<br>£'000 |
|---------------------------|---------------|---------------|
| Authorised and contracted | <u>301</u>    | <u>1,553</u>  |

Capital commitments relate to the Operating system upgrade; Digital Screens; and CCTV Control Room.

**16 COMMITMENTS UNDER OPERATING LEASES**

| <i>Group and charity</i>       | 2014<br>£'000 | 2013<br>£'000 |
|--------------------------------|---------------|---------------|
| Operating leases which expire: |               |               |
| <i>Land and buildings</i>      |               |               |
| Within one year                | -             | -             |
| Within five years              | -             | -             |
| After more than five years     | <u>110</u>    | <u>95</u>     |
|                                | <u>110</u>    | <u>95</u>     |

**17 PENSION COSTS**

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

Defined contribution section

Southbank Centre's contributions to the defined contribution section in the year ended 31 March 2014 were £556,000 (2013: £526,000). As at 31 March 2014 outstanding contributions were £43,100 (2013: £49,000). 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 16.3% of pensionable salaries. In addition, Southbank Centre has been contributing £32,000 per month into the defined benefit section of the plan during the year. Employees currently pay 7% of pensionable salary.

Regular employer contributions to the plan in 2014/15 are estimated to be £250,000. Deficit contributions to the plan in 2014/15 are expected to be £384,000.

The major assumptions used by the actuary were:

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

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

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23.5 years if they are male and for a further 25.8 years if they are female. For a member who retires in 2034 at age 65 the assumptions are that they will live on average for a further 25.3 years after retirement if they are male and for a further 27.7 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.

|                                 | 2014<br>£'000 | 2013<br>£'000 |
|---------------------------------|---------------|---------------|
| Employer's pension contribution |               |               |
| Defined benefit section         | 628           | 706           |
| Defined contribution section    | 556           | 526           |
|                                 | <u>1,184</u>  | <u>1,232</u>  |

The assets and liabilities in the pension plan were:

|   | 2014<br>£'000   | 2013<br>£'000   | 2012<br>£'000   |
|---|-----------------|-----------------|-----------------|
| Equities                                    | 24,440          | 23,629          | 20,980          |
| Bonds                                       | 8,783           | 8,708           | 7,313           |
| Property                                    | 1,469           | 1,306           | 1,275           |
| Cash  | 62              | 33              | 191             |
| London Eye Asset                            | 6,661           | 6,841           | 6,286           |
| Market value of Defined Contribution assets | <u>5,846</u>    | <u>5,022</u>    | <u>3,939</u>    |
| Total market value of assets                | 47,261          | 45,539          | 39,984          |
| Present value of liabilities                | <u>(50,909)</u> | <u>(49,621)</u> | <u>(44,780)</u> |
| Deficit in plan                             | <u>(3,648)</u>  | <u>(4,082)</u>  | <u>(4,796)</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                | 2014    | 2013    |
|   | £'000   | £'000   |
| At 1 April  | 44,599  | 40,841  |
| Current service cost  | 257     | 262     |
| Past service cost   | -       | -       |
| Interest cost   | 1,985   | 1,936   |
| Contributions by plan participants  | 28      | 22      |
| Actuarial losses/(gains) on plan liabilities                                  | (554)   | 2,843   |
| Benefits paid   | (1,252) | (1,305) |
| At 31 March   | 45,063  | 44,599  |
| Reconciliation of fair value of defined benefit assets                        | 2014    | 2013    |
|   | £'000   | £'000   |
| At 1 April  | 40,517  | 36,045  |
| Expected return on plan assets  | 2,210   | 2,111   |
| Actuarial gains on plan assets  | (716)   | 2,938   |
| Contributions by the Employer   | 628     | 706     |
| Contributions by Plan participants  | 28      | 22      |
| Net benefits paid out   | (1,252) | (1,305) |
| At 31 March   | 41,415  | 40,517  |
| Actual return on plan assets  | 2014    | 2013    |
|   | £'000   | £'000   |
| Expected return on plan assets  | 2,210   | 2,111   |
| Actuarial gain on plan assets   | (716)   | 2,938   |
| Actual return on plan assets  | 1,494   | 5,049   |
| Analysis of actuarial losses recognised:                                      | 2014    | 2013    |
|   | £'000   | £'000   |
| Actual return less expected return on the plan's assets                       | (716)   | 2,938   |
| Experience gains and losses arising on the plan's liabilities                 | (3)     | (2)     |
| Changes in assumptions underlying the present value of the plan's liabilities | 557     | (2,841) |
| Actuarial (loss)/gain   | (162)   | 95      |
| Analysis of pension scheme outgoing resources                                 | 2014    | 2013    |
|   | £'000   | £'000   |
| Current service cost  | 257     | 262     |
| Past service cost   | -       | -       |
| Interest cost   | 1,985   | 1,936   |
| Contributions to DC section   | 556     | 526     |
| Expected return on Plan assets  | (2,210) | (2,111) |
| Expense recognised in Statement of Financial Activities                       | 588     | 613     |
|   | 2014    | 2013    |
|   | £'000   | £'000   |
| Expected return on the assets of the pension plan                             | 2,210   | 2,111   |
| Interest on the liabilities of the pension plan                               | (1,985) | (1,936) |
| Net return  | 225     | 175     |

| History of experience gains and losses                         | 2014    | 2013    | 2012    | 2011    | 2010    |
|--|---------|---------|---------|---------|---------|
| Difference between expected and actual return on plan's assets |         |         |         |         |         |
| Amount (£'000)   | (716)   | 2,938   | 713     | 293     | 5,282   |
| Percentage   | (1.73%) | 7.25%   | 1.98%   | 0.83%   | 17.19%  |
| Experience gains and losses on the plan's liabilities          |         |         |         |         |         |
| Amount (£'000)   | (3)     | (2)     | 1,604   | (2)     | (1)     |
| Percentage   | (0.01%) | (0.00%) | 3.93%   | (0.01%) | (0.00%) |
| Total amount recognised in SOFA                                |         |         |         |         |         |
| Amount (£'000)   | (162)   | 95      | (690)   | 2,448   | 1,862   |
| Percentage   | (0.36%) | 0.21%   | (1.69%) | 6.90%   | 5.06%   |

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 2014.

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

There was a total actuarial loss of £162k. During the year, equity and bond markets returned less than assumed. In addition, the value of London Eye Asset decreased due to an increase in the rate used to discount the future rental income stream. Overall this led to a loss on assets of around £716k compared with the expected return.

The financial assumptions underlying the calculation of the liabilities changed during the year. The yield on AA-rated corporate bonds rose and the long-term outlook for RPI inflation increased. Overall, this led to a lower value being placed on the liabilities at the year-end than expected at the beginning of the year resulting in a gain of around £557k.

The experience loss on the liabilities was £3k.

SOUTHBANK CENTRE  
NOTES TO THE FINANCIAL STATEMENTS

**18 SUBSIDIARIES**

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

i) *South Bank Foundation Limited*

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

ii) *Southbank Centre Enterprises Limited*

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

|                                | 2014<br>£'000 | 2013<br>£'000 |
|--------------------------------|---------------|---------------|
| Turnover                       | 8,461         | 8,895         |
| Cost of sales                  | (963)         | (855)         |
| Administrative expenses        | (1,773)       | (1,663)       |
| Operating profit               | 5,725         | 6,377         |
| Interest receivable            | 3             | 6             |
| Net result                     | 5,728         | 6,383         |
| Gift aid due to parent company | (5,728)       | (6,383)       |
| Retained in the subsidiary     | -             | -             |

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

|   | 2014<br>£ | 2013<br>£ |
|---|-----------|-----------|
| Current assets                                | 1,851     | 4,255     |
| Creditors: amount falling due within one year | (1,833)   | (4,212)   |
| Net current assets                            | 18        | 43        |
| Creditors: amounts falling due after one year | (18)      | (43)      |
| Total net assets                              | -         | -         |
| Represented by:                               |           |           |
| Share capital                                 | -         | -         |
| Profit and loss account                       | -         | -         |

## 19 CONTINGENT LIABILITIES

Group and charity

### *Legal actions*

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

### *Capital grant funding*

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

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

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

## 20 RELATED PARTIES

Rick Haythornthwaite (Chairman of Southbank Centre) is Chairman of Mastercard and was Chairman of Network Rail until July 2012. 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 2014 Southbank Centre received £0.6m relating to the sponsorship of the Festival of Neighbourhood.

Southbank Centre paid rent to Network Rail for the Hungerford Arches 150-152 & 156-167 of £100,000 (2013: £98,000) during the financial year.

Southbank Centre is a trustee of the Jubilee Gardens Charitable Trust which maintains Jubilee Gardens. Southbank Centre does not have significant influence or control over the Trust. Southbank Centre paid a subscription of £20,500 (2013: £20,000) a repairing contribution of £56,375 (2013: £55,000) and event-related costs of £830 (2013: £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 USD 7,200 (2013: USD26,247) from the American Fund. The American Fund had USD 26,944 (2013: USD8,704) in cash balances available to transfer to Southbank Centre at 31 March 2014.

Cornelius Medvei (Governor) is Chair of Trustees of Cockpit Arts a social enterprise that on occasion sells work through Southbank Centre's shops and a Trustee of Whitechapel Gallery. Southbank Centre paid commission of £Nil (2013: £Nil) to Cockpit Arts during the financial year and £1,211 (2013: £825) to Whitechapel Gallery for a trade stand at the London Art Book Fair and provision of catering.

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

Robin Woodhead (Governor) is Chairman of Sotheby's International. Southbank Centre stages exhibitions which may incidentally enhance the value of works which may subsequently be offered for sale by Sotheby's on behalf of vendors. During the course of the year neither Southbank Centre nor Mr Woodhead were aware of any material case where this might have arisen. Mr Woodhead has no day to day involvement in deciding which exhibitions or works should be shown at Southbank Centre. Southbank Centre received £10,853 (2013: £10,555) from Sotheby's during the financial year for corporate membership.

Southbank Centre paid Nihal Arthanayake (Governor) £550 (2013: £550) curator's fee for The Burban Mela performance as part of the 2013 Alchemy Festival.

Mick Mannion sits on Southbank Centre's Festival Wing committee as an external advisor and is Managing Director and founder of M3 Consulting. Southbank Centre incurred fees from M3 Consulting for property advice of £Nil (2013: £53,000) during the financial year.

**20 RELATED PARTIES - CONTINUED**

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 £257,000 (2013: £233,000) for the year ended 31 March 2013.

Dame Vivien Duffield (Governor) is Chairman of the Clore Duffield Foundation. During the financial year Southbank Centre received a grant of £100,000 from the Clore Duffield Foundation to contribute to the restoration of the Royal Festival Hall organ.

Southbank Centre is a trustee of Topolski Memoir Limited, which rents studio and storage space from Southbank Centre for a peppercorn rent. During the financial year Southbank Centre also entered into an agreement with Topolski Memoir Ltd and Public Restaurant Partner Limited (t/a Company of Cooks) to use artwork owned by Topolski Memoir Limited in a newly opened bar/cafe space rented by Company of Cooks from Southbank Centre.

Susan Gilchrist (Governor) is Group Chief Executive of Brunswick Group. During the financial year Southbank Centre paid Brunswick Arts £8,000 (2013: £Nil) for fundraising and communications advice.

Fionnuala Hogan (Governor) is a trustee of Tomorrow's Warriors Trust, which is an artist in residence at Southbank Centre. During the financial year Southbank Centre paid Tomorrow's Warriors £27,860 (2013: £10,065) in performance fees.

