

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

SOUTHBANK CENTRE

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2009

SOUTHBANK CENTRE

Registered as a Charity No. 298909

Principal office

The Royal Festival Hall
Belvedere Road
London
SE1 8XX

PROFESSIONAL ADVISORS

Bankers

Lloyds TSB Bank plc
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AIB Group (UK) plc
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Solicitors

Herbert Smith LLP
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EC2A 2HS

Auditor

Comptroller and Auditor General
The National Audit Office
Buckingham Palace Road
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SOUTHBANK CENTRE

TRUSTEES

Board of Governors

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

<i>Governor</i>	<i>Appointed</i>	<i>Resigned/ retired</i>	<i>Last re-appointment</i>
Ms Susan Gilchrist	24 September 2008		
Mr Brent Hansen	24 September 2008		
Mr David Kershaw	24 September 2008		
Mr Rick Haythornthwaite (Chairman)	31 January 2008		
Mr Alan Smith	07 November 1995	02 July 2008	29 June 2005
Mr Edward Walker-Arnott (Vice-Chairman)	28 June 1999		02 July 2008
Mr Robert Devereux	28 June 1999	02 July 2008	29 June 2005
Mr Alan Yentob	28 June 1999	02 July 2008	29 June 2005
Dame Vivien Duffield	24 June 2002		02 July 2008
Baroness Young of Hornsey, OBE	18 September 2002		02 July 2008
Mr Anthony Holden	19 September 2002	02 July 2008	29 June 2005
Ms Ursula Owen, OBE	02 July 2003		05 July 2006
Mr Michael Hamlyn	02 July 2003		05 July 2006
Mr Martin Myers	24 September 2003	09 December 2008	26 September 2007
Mr Robin Woodhead	22 September 2004		02 July 2008
Mr Walter Gubert	21 September 2005	02 July 2008	
Ms Fionnuala Hogan	21 November 2007		
Mr Mark Ball	21 November 2007		

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

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

The Governors meet six times a year on a regular basis, but may meet more frequently if required. The Board also has a number of sub-committees which meet at different intervals. The Committees and the persons who served on them during the year were:

<i>Audit and Risk</i>	Fionnuala Hogan (C), Susan Gilchrist, Rick Haythornthwaite, Edward Walker-Arnott
<i>Strategy</i>	Rick Haythornthwaite (C), Susan Gilchrist, Fionnuala Hogan, David Kershaw, Robin Woodhead
<i>Remuneration</i>	Baroness Young (C), Mark Ball, Michael Hamlyn, Brent Hansen, Ursula Owen
<i>Nominations and Governance</i>	Rick Haythornthwaite (C), Dame Vivien Duffield (Jt C), Edward Walker-Arnott, Robin Woodhead, Baroness Young

C = Chairman of that Committee

CHIEF EXECUTIVE AND OTHER CURRENT SENIOR STAFF

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

SOUTHBANK CENTRE

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CHAIRMAN'S FOREWORD

It has been another fantastic year for Southbank Centre. Millions of visitors have enjoyed concerts, performances and groundbreaking exhibitions as well as the lively and welcoming environment around the site. Two years on from the reopening of the Royal Festival Hall, Southbank Centre is back at the heart of the UK's cultural life. In 2008/09, over 3 million people attended our events, over 18 million used our new squares, terraces and walkways, and over 3.5 million were served in our restaurants, cafés and shops.

Excellence, diversity, in-depth engagement and participation are the hallmarks of Southbank Centre's artistic programme, and this year was no exception. In 2008 we celebrated the 40th anniversary of the Hayward Gallery. The acclaimed Psycho Buildings inaugurated a special season of events that included a 40p day, sponsored by Bloomberg, which saw 2,700 visitors enjoy the exhibition for a fraction of the usual ticket price. The Hayward continued to make its mark nationally as well as in the capital, with 15 critically acclaimed touring shows exhibiting in 74 venues, including Grayson Perry's Popular Culture curated from the Arts Council Collection and Mark Wallinger's five-star reviewed *The Russian Linesman*.

Southbank Centre's Resident Orchestras had another great season, and continue to make a vital and highly valued contribution to our programme. The presence of two hugely inspirational figures, Vladimir Jurowski, Chief Conductor of the London Philharmonic Orchestra, and The Philharmonia Orchestra's newly appointed Music Director Esa Pekka Salonen, make it an extraordinary time for classical music in London. The London Sinfonietta presented a special performance for its 40th anniversary at the Queen Elizabeth Hall in December, and the Orchestra of the Age of Enlightenment once again presented landmark performances.

Over the festive period The Clore Ballroom was home to *In from the Cold*, a packed programme of music, dance and cabaret for all the family, which also featured one of our many innovative Ballroom installations – a giant igloo cinema. Over 10,000 people took part in the free programme of Christmas activities – part of a Southbank Centre offering of over 300 free foyer events this year. Meanwhile, the Royal Festival Hall hosted the *Lost and Found Orchestra* and the Queen Elizabeth Hall presented a new series of comedy. The season was well received and achieved positive media coverage with a PR value of £3.6 million.

In spring 2009, the hot ticket was the return to London in April 2009 of conductor Gustavo Dudamel and the Simon Bolivar Youth Orchestra of Venezuela for a week-long Residency. Two of the concerts, part of the *Shell Classic International* series, sold-out 10 months in advance and the anticipation continued to build through the year.

As many people will know, we said goodbye to Chief Executive Michael Lynch in April 2009. Under Michael's leadership over the past seven years Southbank Centre has been radically transformed, with a renewed Royal Festival Hall at its heart and a world-class programme to match. Michael's tremendous contribution was justly rewarded with a CBE in the New Year's Honours List and the prestigious Garrett award. On behalf of the Board and staff, I would like to give Michael our thanks and very best wishes for his return to Australia.

I now have the pleasure to welcome Alan Bishop as Southbank Centre's new Chief Executive. Fresh from the government's Central Office of Information, and with an acute understanding of the needs of creative thinkers and practitioners, he has all the right skills to lead Southbank Centre over the coming years. Alan will be working closely with Artistic Director Jude Kelly on the delivery of Southbank Centre's ambition to be the world's most inspiring centre for the arts, as well as maximising the huge opportunities presented by the 60th anniversary of the Festival of Britain, the key moment in Southbank Centre's genesis, and the Olympics in 2012.

CHAIRMAN'S FOREWORD

This past year saw the return of 'business as usual' with our main focus on the day-to-day operation of Southbank Centre as a leading cultural organisation and visitor destination. In 2008 we also undertook a strategic review of Southbank Centre to reflect on the purpose of the organisation, consider its future direction, its vision and mission, and the resources required to achieve them.

I have also streamlined Board processes and structures to ensure we are in the best position to support Southbank Centre at this time. I would like to welcome Susan Gilchrist, Brent Hansen and David Kershaw who have joined us, and my grateful thanks to those Governors who have left this year for their commitment during the critical refurbishment period.

As I reported in last year's Review, Arts Council England's additional investment of £16.5m of lottery funding in April 2008 was invaluable. It allowed us to sustain and build on the momentum of the Royal Festival Hall reopening period. It also facilitated the close out of the Capital Campaign to within six per cent of budget and through transition funding enabled effective management of the site in a holistic way, including animating the public spaces and utilising the potential of a 62 per cent increase in footfall.

The current economic downturn has been our key concern in 2008/09 and contingency planning has been an important focus for the Board and Executive. The fundraising imperative moved from capital to revenue income and there is little doubt that fundraising across the board has become more challenging during this period. The task now is to build on a superb platform. In this tough economic environment, individual, private and corporate support in addition to public funding and earned income will be vital to our ongoing success.

Despite the challenges, I am extremely pleased to be able to report positive figures for this year. In 2008/09 operating income exceeded £40 million for the first time. This, coupled with prudent financial management, has resulted in reserves of £2.5 million. This will help us weather the year ahead and meet crucial ongoing commitments.

There are further positive signs, with box office income holding up well and the restaurants and cafés on site trading strongly. Revenue from commercial activities across the site rose by 50 per cent from £4 million in 2007/8 to £6 million. Southbank Centre is in a good position to capitalise on people holidaying in the UK and the increase in tourism from overseas.

I want to close my report with a reassurance that Southbank Centre will continue to pursue the highest levels of innovation and excellence, and meaningful engagement through these difficult economic times. We are determined to continue to be bold and adventurous despite the temptation to play safe. The decision to invite Ornette Coleman to host the 2009 Meltdown is a case in point. This is what we are known for, and what people value about us.

R Haythornthwaite
Chairman
Southbank Centre Limited
As Trustee for Southbank Centre

REPORT OF THE TRUSTEE

Legal Framework

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

The Board has two wholly owned subsidiaries. The South Bank Foundation Limited (SBF) is a registered charity and company limited by guarantee, which was formed for the purposes of fundraising for SC, particularly for its site development. This company is now winding down and future fundraising will go through the accounts of SC. Southbank Centre Enterprises Limited (SCEL) manages certain commercial activities on the Southbank estate and was incorporated and began trading in April 2007. The results of SCEL are consolidated on a line-by-line basis with those of SC.

Due to the Charity Commission issuing a uniting direction for registration purposes for SC (charity 298909) and SBF (charity 1054105) in October 2004, the accounts of SBF have been aggregated on a line by line basis. See note 18 for details of SBF's results.

Governors and Management

The Board of Governors are not remunerated for their services and have delegated management of SC's operational affairs to a Chief Executive and an Executive Directorate who attend Board meetings but are not entitled to vote.

The Board of Governors retain decision-making over certain matters, including the approval of strategic plans and major projects, remuneration matters of the Chief Executive, and variations to governing documents.

Employee Policies

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

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

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

Mission

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

Vision

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

REPORT OF THE TRUSTEE

Objectives

SC's objectives are:

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

Review of the Business

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

Performing and Visual Arts

Luigi Nono's 'tragedy of listening' *Prometeo* had its sold-out UK premiere in May. The Royal Festival Hall was transformed into a surround-sound sonic environment, with four orchestras built on platforms round the hall.

SC played host to the Olympic Torch on 6 April. Choirs from local schools and schools in Liverpool came together with Voicelab groups, musicians from London's Centre for Young Musicians, dancers from Laban in South East London, and resident artists Shlomo, Lemn Sissay and Mary King.

The Ether festival brought together the world's leading electronic artists, with beatboxers from across the globe, with one-off theatrical productions, world renowned film-makers and the UK's finest ensemble for late 20th century works performing Reich and Adès in a multi-media concert.

The new touring exhibition *Unpopular Culture: Grayson Perry selects from the Arts Council Collection* had a successful opening at the De La Warr Pavilion in Bexhill-on-Sea in May, with media coverage and visitor numbers exceeding expectations.

At the end of May, the acclaimed *Psycho Buildings* exhibition opened to inaugurate the Hayward Gallery's 40th anniversary season. As part of the celebrations, 2700 visitors enjoyed the *Psycho Buildings* exhibition for just 40p on Friday 11 July and its highlight – a boating lake on the sculpture courts.

Massive Attack's Meltdown in June was an audience and critical success. A constant thread through the festival was the programme of *Reprise* events, films, talks and artistic collaborations.

English National Ballet returned to the Royal Festival Hall for the first time in over 10 years for a week-long residency in July.

As part of the Mayor of London's *Big Dance* week, Southbank Centre presented a participatory programme IN MOTION. The Big Chair Dance was a highlight of the Capital Age Festival, when more than 200 older Londoners took part in a 20-minute performance on The Clore Ballroom.

REPORT OF THE TRUSTEE

The London Literature Festival returned for its second year. Audiences enjoyed special commissioned performances, readings from prize-winning authors and poets, debates and three major book prizes. The state of democracy was debated by Tony Benn and David Davis MP in a sold-out event in the Queen Elizabeth Hall.

The much-loved classic *The Wizard of Oz* returned to London in July with a major new production. Summer also saw SC's site animated with a number of installations, events, free programming and art works. UVA's (United Visual Artists) *Volume* provided an interactive sound and light installation, while Jeppe Hein's ever-popular *Appearing Rooms* fountain returned for a third year.

Hundreds of people from around the country contributed to the *Hyperbolic Crochet Coral Reef* installation in the Royal Festival Hall foyer, devised by the Los Angeles based Institute for Figuring and coinciding with the exhibition in the Hayward Gallery Project Space.

A festival of dance, dancEUnion, from 23 EU member countries brought together across the site for a weekend of the greatest contemporary dance talent, including free events in the public spaces.

Southbank Centre played a leading role in the Cultural Olympiad Open Weekend. Free performances, exhibitions and participative events heralded the start of a four-year celebration of culture. Highlights included thousands enjoying a Big Busk with Billy Bragg, an insightful series of Open Rehearsals with some of the world's finest musicians, and the poignant *Art by Offenders*.

October saw the opening of the major new exhibition Andy Warhol: Other voices, other rooms which focused on the artist's TV and film work; and also South African artist Robin Rhode's *Who Saw Who* with his brilliantly inventive photographs, video animations, drawings and paintings.

The 2008/09 classical music programme began with a wonderful week of concerts. A beautifully presented performance of Stravinsky's *Oedipus Rex* was Esa-Pekka Salonen's spectacular inaugural concert as the Philharmonia's new Principal Conductor and Artistic Advisor. The London Philharmonic Orchestra and Christian Tetzlaff presented the world premiere of a violin concerto by Mark-Anthony Turnage, conducted by Vladimir Jurowski.

The new International Voices Series featured Artist in Focus, Matthias Goerne, who also performed in concerts with the LPO and the London Sinfonietta; the latter included a Southbank Centre commission from Austrian composer Thomas Larcher.

Five-star reviews followed the welcome return of the Budapest Festival Orchestra and Iván Fischer for the opening of the Shell Classic International series.

The Stockhausen Festival, KLANG, was a tribute to this major composer. The cross-site festival included performances of Stockhausen's work, including his final piece, *ZODIAC*. There were also symposiums, talks, workshops and an online forum.

October and November also saw the autumn tranche of the Messiaen festival, *From the Canyons to the Stars*, which began with George Benjamin conducting the London Sinfonietta and the Philharmonia. It continued with organ recitals in churches and cathedrals across London and concluded with a visit by Pierre Boulez and the Ensemble InterContemporain in December as part of Shell Classic International.

The high-energy b.young Festival profiled young female hip hop dancing talent, including a number of London-based groups who had successfully progressed through from the Dare2Dance competition earlier in the year.

The autumn also saw Vladimir Jurowski's first major London festival, *Revealing Tchaikovsky*, in collaboration with the London Philharmonic Orchestra and the Orchestra of the Age of Enlightenment.

REPORT OF THE TRUSTEE

The exciting Literature and Spoken Word series *America Decides* explored issues made pertinent by the presidential election with leading writers and thinkers in the US.

In December Artist-in-Residence Shlomo gave a sold out anti-knife crime concert in December which achieved widespread media coverage and good political support.

The Christmas show, *Lost and Found Orchestra*, was a great success with audiences and critics. Over the festive period, The Clore Ballroom was home to the highly successful *In from the Cold*, which featured The Igloo Cinema – a giant inflatable melting igloo hosting a range of classic and newly commissioned films.

Voicelab featured regularly in Southbank Centre's programme, for example in the Elbow performance during Meltdown and in *Lost and Found Orchestra* over Christmas. In addition, the PULSE students undertook scheduled classes in voice, drama, composition and movement.

In early January the Park Lane Group presented a week of concerts featuring award winning young artists, and including 13 world premieres and 60 works written between 1912 and 2008.

Imagine returned for February half-term with a nine-day programme of readings, storytelling, poetry, stand-up, magic, comedy, exhibitions and music. The Bibliomancer's Dream installation opened on The Clore Ballroom as a focus point for visitors of all ages.

Also in February, the Philharmonia and Esa-Pekka Salonen opened their 18-month Viennese project *City of Dreams: Vienna 1900-1935* with a stunning performance of Schoenberg's 'grand-scale luxuriant song of love', *Gurrelieder*.

Meanwhile, the critically-acclaimed *Mark Wallinger curates The Russian Linesman* opened at the Hayward Gallery. The Hayward Touring exhibition will also be shown in Leeds and Swansea. A few weeks later *Annette Messager: The Messengers* opened in the lower galleries presenting an overview of this leading French artist's career.

On Valentine's Day, Bellowhead launched their tenure as Southbank Centre Artists in Residence with *A Dirty Weekend*, performing ancient and modern songs of love and lust.

Takeover was the culmination of the first generation of emerging artists in residence (EAR) programme, and initiated through the support of The Helen Hamlyn Trust.

The 2009/10 financial year began with the sensational Simón Bolívar Youth Orchestra of Venezuela, with a much-anticipated Residency including two Shell Classic International Concerts which sold-out 10 months in advance.

Commercial

Southbank Centre Enterprises Limited (SCEL), a wholly owned subsidiary undertakes certain commercial activities on behalf of SC. The profit on ordinary activities for the year was £2,774,000 (2008: £2,329,000)

All of SC's commercial activities have generally traded very well during these turbulent economic times, reflecting the strength of our location, our strong artistic programming, excellent customer service and the good tourist trade.

Festival Riverside income remained buoyant and showed a small increase on the previous year, the restaurants having reached almost optimum sales potential.

With a full year of trading for every business on Festival Terrace, a significant uplift in sales on the previous year was achieved.

REPORT OF THE TRUSTEE

Turnover from the bars and cafés within the three venues was 16% above the previous year, around 10% of which was from the new and highly successful summer Central Bar Terrace.

Both Skylon and Canteen's net sales showed a good increase on the previous year. Skylon's bookings were assisted by their company's strong marketing campaign with the Evening Standard in early 2009.

Our own retail (at the Hayward Gallery, RFH and Festival Terrace, including foyer ice cream sales) achieved above budget sales and in line with the previous year. The car parks' net sales hit £1m for the first time since 1999, and filming & photography increased by 27% on previous year.

Development

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

In 2008/9 the Department achieved net revenue income of £866,000, from Corporate, Trusts and Foundations and Individuals. Further enabling income received in the year totalled £851,000.

A total of £934,000 net income was achieved via Development Events, which incorporates the hiring of space for commercial and development purposes.

Additionally the Development Team continues to steward almost £30 million of donated income from the Royal Festival Hall Capital Campaign, which closed in December 2007.

Capital Project Developments

SC will continue to develop and refurbish its facilities and site incrementally. The following major projects have been, or will be, developed in the near future (further details are given in note 7 to the accounts).

Hungerford Bridge Undercroft

Extending the very successful Festival Riverside retail frontage under the railway bridge is a highly desirable next stage in the development of the site. Following successful discussions with Network Rail we will be submitting the planning application to Lambeth Council in the summer with a view to securing consent at the end of the year. The new retail units could be trading in the summer of 2011.

Hayward Gallery

A condition survey in summer 2009 will inform the next stage of work on the Hayward Gallery, involving cleaning, repairing and visually enhancing the building.

Jubilee Gardens

Within the next few years (estimated start date 2009, opening in 2011), Jubilee Gardens will be transformed into a world-class park and be run on a day to day basis by a Trust comprising local landowners and businesses and the residential community. Funding is dependent on the resolution of some legal issues which are currently under negotiation.

Queen Elizabeth Hall

Incremental improvements to the QEH, particularly the townscape at ground, terrace and roof levels, could be the next stage of the masterplan. In preparation for this a condition study will be carried out on the buildings during the summer of 2009. This will enable us to assess to what extent we are able to continue to operate the building until 2020 without major investment and form the basis on which to build our arts and operational brief for the long term future of the buildings. The government's failure to resolve the listing of the buildings remains a major risk to our strategy.

SOUTHBANK CENTRE

REPORT OF THE TRUSTEE

BFI Film Centre on Hungerford Car Park

Although the government have indicated to the BFI that their operational business plan has met their criteria they have still not committed the £50m of public funds to the project.

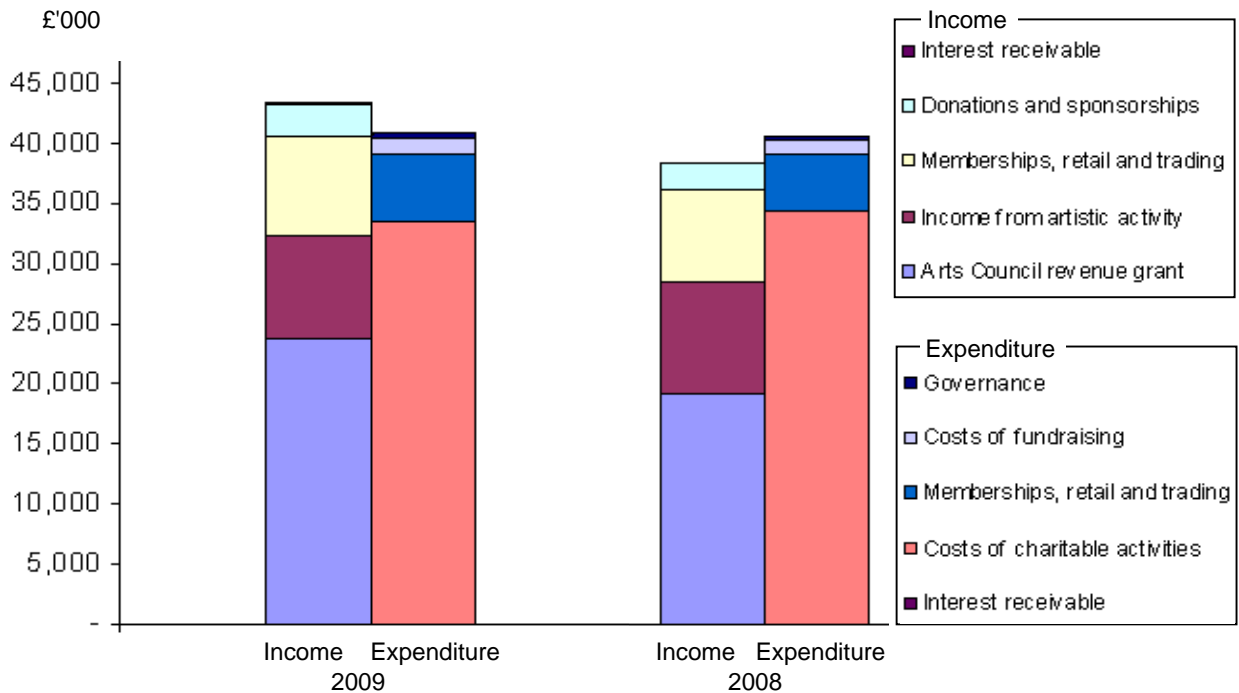
Waterloo City Square

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

Financial Review

SC achieved an operating surplus of £2.6m in 2008/9 compared to a budgeted break even result for the year.

The Operating Statement on page 15 can be represented as follows:



The core revenue grant for 2008/9 was £19.7m, an increase of 2.7% on the prior year.

In addition, £3.99m was received in the year for additional artistic activity and to cover the increased costs of operating the RFH.

Income from artistic activity fell by 5.7%, reflecting the success of main stage productions held in 2007/8 which outperformed budget. 2009 productions were in line or slightly below budget.

Income from membership, retail and trading has increased 7.35% on the prior year. Overall results for 2008/9 showed strong sales and performance across all areas of commercial with the introduction of new events and retail opportunities.

REPORT OF THE TRUSTEE

Costs of charitable activities fell by 3.2%, in line with the fall in artistic activity income.

Memberships, retail and trading expenditure increased by 18.6% which reflects increased costs in supporting the increase in activity.

Costs of fundraising has increased 18.7% on the prior year, reflecting a move away from capital project fundraising and back towards revenue activities.

Reserves Policy

At year end, SC had general reserves of £2.6m (2008: £255,000) which is sufficient to cover approximately eight weeks of budgeted operating expenditure. However, the Governors will continue to focus primarily on liquidity and the availability of headroom on financial facilities when considering the financial stability of SC.

Going Concern

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

Previous uncertainties around the costs of the capital project have now been resolved, and final settlement agreed.

The Board have given due consideration to the working capital and cash flow requirements of SC. The Board consider SC's current and forecast cash resources, taken together with a committed overdraft facility with Lloyds TSB Bank plc, under which £5.5m is available until 30 June 2010, to be sufficient to cover the working capital requirements of the charity for at least 12 months.

The current deficit of £8.0m on the Pension Plan as at 31 March 2009 represents an increase of £7.7m on the deficit shown at the previous year end. The triennial valuation by the pension scheme actuary, which took place as at 1 April 2008 on a different valuation basis, indicated a deficit valuation of £9.3m. The Governors and trustees of the pension plan are working towards agreement on the contributions to be paid to close this deficit and it is anticipated that these contributions 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.

The Board of Governors has a reasonable expectation that SC has adequate resources to continue trading for the foreseeable future and, for this reason, has continued to adopt the going concern basis for preparation of the accounts.

Funding Developments

As part of a strategy to fund operations and to cover the shortfall between the estimated costs of refurbishment and secured donations, the Board secured additional borrowings including an overdraft facility of £5.5m with Lloyds TSB Bank plc. This is drawn down as and when required. This facility is available until 30 June 2010 and is reviewable annually.

Risk Management

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

- Impact of the economic climate on ticket sales, development sales and commercial income from shops and outlets.
- Major disaster causing significant infrastructure damage and loss of business.

REPORT OF THE TRUSTEE

- Failure to comply with core funding agreements.
- Failure to implement the artistic vision.
- Compliance with health and safety legislation and policy.

The Governors have determined the major risks to which the charity is exposed, the potential impact if an individual risk materialises, and what mitigating action is to be taken in order to reduce each risk to a level which the Governors consider to be acceptable. This position is recorded in a risk register which is issued by management and will continue to be reviewed regularly.

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

Internal Financial Control

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

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

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

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

The Governors believe that SC's system of internal financial control provides reasonable, but not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. The Audit and Risk Committee has monitored the operation and effectiveness of the system of internal financial control during the financial year ended 31 March 2009 through regular reports from Executive Management, reports from the internal auditor and comments made in the annual management letter from the external auditors.

Annual audit

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

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

REPORT OF THE TRUSTEE

Funding Agreement

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

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

2008/9 represents the first year of the current three-year funding cycle from Arts Council England.

In May 2008, ACE confirmed an additional grant of lottery funds to SC, amounting to £16.5m over a three year period, as follows:

- £7.2m to cover the final costs of the capital refurbishment (all received in 2008/9)
- £5.0m one-off investment in the development of the new artistic programme (£2.59m received in 2008/9)
- £4.3m to cover the increase in operating costs since the reopening of the RFH (£1.4m received in 2008/9)

This additional funding allows the organisation to maximise on the momentum already created during its first year after re-opening of the RFH.

Political and Charitable Donations

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

Insurances

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

1 July 2009

By Order of the Board

R Haythornthwaite
Chairman
Southbank Centre Limited
as Trustee for Southbank Centre

STATEMENT OF TRUSTEE RESPONSIBILITIES

Under Section 47 of the Local Government Act 1985 the Board, as sole corporate trustee of SC, is responsible for preparing the Annual Report and the financial statements. The Board prepares the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements must show a true and fair view of SC's income, expenditure, financial activities and cash flows during the year and of its state of affairs at the end of the year. In preparing the financial statements the Board is required to:

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

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

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

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

I have audited the financial statements of the Southbank Centre group for the year ended 31 March 2009 which comprises the Group Operating Statement, Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Trustee and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. I also report whether, in all material respects, the expenditure and income funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if, in my opinion, the Southbank Centre has not kept sufficient accounting records, if the charity's financial statements are not in agreement with these accounting records or if I have not received all the information and explanations I require for my audit.

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

Basis of audit opinions

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

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Southbank Centre group as at 31 March 2009, and of its incoming resources and application of resources, for the year then ended;
- the financial statements have been properly prepared in accordance with the Charities Act 1993; and
- information given within the Report of the Trustee is consistent with the financial statements.

Opinion on Regularity

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

Amyas C E Morse
Comptroller and Auditor General

8 July 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

SOUTHBANK CENTRE
GROUP OPERATING STATEMENT
Year ended 31 March 2009

	2009 £'000	2008 £'000
INCOME		
Donations and sponsorships	2,615	2,305
Arts Council revenue grant	23,715	19,206
Memberships, retail and trading	8,218	7,655
Income from artistic activity	8,693	9,218
Interest receivable	182	62
Total operating income	<u>43,423</u>	<u>38,446</u>
EXPENDITURE		
Costs of fundraising	1,501	1,264
Memberships, retail and trading	5,620	4,740
Costs of charitable activities	33,390	34,503
Governance	407	297
Total operating expenditure	<u>40,918</u>	<u>40,804</u>
OPERATING SURPLUS / (DEFICIT)	2,505	(2,358)
RECONCILIATION TO STATEMENT OF FINANCIAL ACTIVITIES		
Operating surplus / (deficit)	2,505	(2,358)
Depreciation charged to capital reserves	(6,882)	(3,305)
Movements on FRS 17 pensions deficit	237	470
Utilisation of SBF reserves	-	(202)
Income for site development	9,534	13,747
Expenditure on site development	(792)	(1,181)
Non-core artistic activity	20	-
Grants received in advance of expenditure	618	-
Net incoming resources before other recognised gains and losses	<u>5,240</u>	<u>7,171</u>

Note Costs of fundraising include £880,000 of costs directly attributable to the Development team, and £621,000 of administrative and support costs allocated to fundraising in accordance with the requirements of SORP2005.

SOUTHBANK CENTRE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 March 2009

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total funds 2009 2008 £'000 £'000	
INCOMING RESOURCES					
Incoming resources from generated funds					
<i>Voluntary income</i>					
Donations and sponsorship		998	2,327	3,325	2,091
Arts Council revenue grant		23,715	-	23,715	19,206
Funding for assets under construction		7,461	293	7,754	11,772
<i>Activities for generating funds</i>	3	8,254	-	8,254	7,655
<i>Interest receivable</i>	8	180	1,757	1,937	2,037
Incoming resources from charitable activities					
Artistic activity	3	8,894	-	8,894	9,218
Total incoming resources		49,502	4,377	53,879	51,979
RESOURCES EXPENDED					
Costs of generating funds					
Costs of fundraising	5	1,501	-	1,501	1,282
Retail and trading	5	5,573	47	5,620	4,680
		7,074	47	7,121	5,962
Costs of charitable activities					
Artistic activity	5	38,501	1,818	40,319	37,366
Construction and refurbishment	5	792	-	792	1,178
		39,293	1,818	41,111	38,544
Governance costs	5	407	-	407	302
Total resources expended	5	46,774	1,865	48,639	44,808
Net incoming resources before transfers		2,728	2,512	5,240	7,171
Transfers between funds	14	134	(134)	-	-
Net incoming resources before other recognised gains and losses		2,862	2,378	5,240	7,171
Other recognised Gains and Losses					
Gain on revaluation	1(e) & 7	-	-	-	167,738
Actuarial (losses)/gains on defined benefit pension schemes	17	(7,909)	-	(7,909)	3,734
Net movement in funds		(5,047)	2,378	(2,669)	178,643
RECONCILIATION OF FUNDS					
Net movement in funds		(5,047)	2,378	(2,669)	178,643
Fund balances brought forward	14	263,759	1,951	265,710	87,067
Total funds carried forward	14	258,712	4,329	263,041	265,710

*All of the above results are derived from continuing activities
This statement incorporates the Statement of Total Realised Gains and Losses required by FRS 3
The Movements on Reserves are also described in note 14
The notes on pages 19 to 34 form part of these accounts*

SOUTHBANK CENTRE

BALANCE SHEET

31 March 2009

	Notes	Group		Charity	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
FIXED ASSETS					
Tangible assets	7	296,945	302,063	296,945	302,063
CURRENT ASSETS AND LIABILITIES					
Current assets					
Stocks of consumables and goods held for resale		235	253	81	101
Debtors - due within one year	9	6,450	7,347	8,928	9,264
Debtors - due after one year	9	1,995	2,505	1,995	2,505
Cash at bank and in hand					
Short term deposits		1,750	866	1,010	94
Cash in ACE escrow account	10	395	382	395	382
Cash in restricted access escrow account	1 j)	35,593	32,938	35,593	32,938
Cash held in other accounts		1,394	726	1,375	709
Total current assets		<u>47,812</u>	<u>45,017</u>	<u>49,377</u>	<u>45,993</u>
Current liabilities					
Amounts due within one year					
Creditors	10	(15,992)	(21,515)	(17,557)	(22,492)
Deferred income for ACE escrow account	10	(395)	(382)	(395)	(382)
Overdraft		-	(4,789)	-	(4,789)
		<u>(16,387)</u>	<u>(26,686)</u>	<u>(17,952)</u>	<u>(27,663)</u>
Net current assets		31,425	18,331	31,425	18,330
Total assets less current liabilities		328,370	320,394	328,370	320,393
Creditors: amounts falling due after one year	12	(57,094)	(54,320)	(57,094)	(54,320)
Provision for liabilities and charges	13	(199)	-	(199)	-
Net assets excluding pension plan liability		<u>271,077</u>	<u>266,074</u>	<u>271,077</u>	<u>266,073</u>
Pension plan liability	17	(8,036)	(364)	(8,036)	(364)
Net assets including pension plan liability		<u>263,041</u>	<u>265,710</u>	<u>263,041</u>	<u>265,709</u>
RESERVES					
Unrestricted funds					
Capital reserve - designated fund	14	264,166	263,868	264,166	263,868
General reserves	14	2,582	255	2,582	254
		<u>266,748</u>	<u>264,123</u>	<u>266,748</u>	<u>264,122</u>
Pension plan	14 & 17	(8,036)	(364)	(8,036)	(364)
Total unrestricted funds		<u>258,712</u>	<u>263,759</u>	<u>258,712</u>	<u>263,758</u>
Restricted funds					
Waterloo Undercroft	14	187	281	187	281
Capital Reserve: RFH, Public Realm		3,524	1,644	3,524	1,644
Accumulated surplus on restricted funds		618	26	618	26
		<u>4,329</u>	<u>1,951</u>	<u>4,329</u>	<u>1,951</u>
TOTAL funds	14	<u>263,041</u>	<u>265,710</u>	<u>263,041</u>	<u>265,709</u>

The notes on pages 19 to 34 form part of these accounts

These financial statements were approved by the Board on 1 July 2009 and signed on its behalf by

R Haythornthwaite
Chairman

SOUTHBANK CENTRE
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2009

	Note	2009 £'000	2008 £'000
CASH FLOW STATEMENT			
Net cash inflow from operating activities		9,890	1,967
Returns on investment and servicing of finance			
Interest received	8	1,937	2,037
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		<u>(2,818)</u>	<u>(5,094)</u>
Increase / (decrease) in cash balances		<u>9,009</u>	<u>(1,090)</u>

RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATIONS			
Net incoming resources before transfers		5,240	7,171
Interest received		(1,937)	(2,037)
Depreciation charge	7	7,936	4,287
Decrease/(Increase) in stock		18	(123)
Decrease/(Increase) in debtors	9	1,407	(1,332)
Decrease in creditors	10	(2,749)	(3,368)
Increase in provision	13	199	-
Increase/(Decrease) in escrow deferral	10	13	(2,161)
FRS17 movements		<u>(237)</u>	<u>(470)</u>
Net cash inflow from operating activities		<u>9,890</u>	<u>1,967</u>

NET CASH FLOW TO MOVEMENT IN FUNDS			
	Balance as at 1 April 2008 £'000	Movement in the year £'000	Balance as at 30 March 2009 £'000
Cash on short term deposit	866	884	1,750
Cash in hand and at bank	726	668	1,394
Cash in ACE escrow account	382	13	395
Cash in escrow account	<u>32,938</u>	<u>2,655</u>	<u>35,593</u>
	34,912	4,220	39,132
Overdrafts	<u>(4,789)</u>	<u>4,789</u>	-
Total	<u>30,123</u>	<u>9,009</u>	<u>39,132</u>

ANALYSIS OF CHANGES IN CASH DURING THE YEAR			
	2009 £'000	2008 £'000	
Opening balance	30,123	31,213	
Net cash inflow/(outflow)	<u>9,009</u>	<u>(1,090)</u>	
Closing balance	<u>39,132</u>	<u>30,123</u>	

The notes on pages 19 to 34 form part of these accounts

1 STATEMENT OF ACCOUNTING POLICIES

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

a) *Basis of preparation*

The Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, with the applicable requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP), issued in March 2005, the Charities Act 2006, and under the historical cost accounting rules, as modified to include the revaluation of land and buildings. SC's income and expenditure transactions in furtherance of its charitable objects are recorded and reported through its general fund, which is an unrestricted fund. The Board has set aside amounts in a designated fund for a reserve on land and buildings which were leased to SC in 1986, and the purposes of these amounts are described later in these accounting policies. Further details are given in note 7 to the accounts.

b) *Group financial statements*

In October 2004, the Charity Commission issued a uniting direction for SC (charity 298909) and the South Bank Foundation Limited (charity 1054105) made under s.96(6) of the Charities 1993 Act. It is purely an administrative and accounting linkage. The subsidiary South Bank Foundation Limited has been transferred to the registration number of the main charity SC and its old registration removed. As a consequence, the accounts of the South Bank Foundation Limited have been aggregated on a line by line basis. See note 18 for details on South Bank Foundation results.

A wholly owned subsidiary, Southbank Centre Enterprises Limited (SCEL), was established in April 2007 to undertake certain commercial activities on behalf of SC. The results of SCEL are consolidated with the financial statements for SC. In accordance with paragraph 397 of the SORP, a separate Statement of Financial Activities for SC is not shown. The net surplus for the charity for the year was £4,385,000 (2008:£7,171,000). See note 18 for details on the results of SCEL.

The Board have given due consideration to the working capital and cash flow requirements of SC. The Board consider SC's current and forecast cash resources, taken together with a committed overdraft facility with Lloyds Banking Group plc, under which £5.5m is available until 30 June 2010, to be sufficient to cover the working capital requirements of the charity for at least 12 months.

For this reason the financial statements have been prepared on a going concern basis.

c) *Income recognition*

All incoming resources are recognised in the SOFA when the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy and certainty.

The following specific policies apply:

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

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

Funding for assets under construction are credited to incoming resources when receivable. Depreciation on fixed assets purchased with such grants is charged to the SOFA and set against the relevant grant in the SOFA.

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

1 STATEMENT OF ACCOUNTING POLICIES

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

d) *Expenditure and resources expended*

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

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

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

Construction and refurbishment costs are those related to the project to refurbish the Royal Festival Hall.

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

e) *Fixed assets and depreciation*

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

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

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

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

- ii) Depreciation is provided on all other tangible fixed assets acquired since 1 April 1986 at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. The expected useful life is reviewed on an annual basis along with the residual value of assets. The expected useful life for Fixtures and Fittings is 10 years, for Plant and Machinery 4 years and for Motor Vehicles 8 years. Individual items costing under £1,000 are not capitalised unless they form part of a bulk purchase costing over £1,000 in aggregate and can be monitored.
- iii) Assets in the course of construction are held at cost and are not depreciated.
- iv) At the outset of the RFH refurbishment, part of the project was agreed with the auditors to be of a maintenance nature (23%) and part of an enhancement nature (77%) - see note 7 for details. Consequently, of costs incurred, 77% has been capitalised and 23% has been written off to the SOFA.
- v) The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. There have been no such events during the year and therefore no impairment.

1 STATEMENT OF ACCOUNTING POLICIES

f) *Stocks*

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

g) *Leases*

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

ii) Where income is receivable under lease agreements, the basic element is recognised on a straight line basis over the period to the next rent review, and any element based on a percentage of turnover of the lessee is recognised in the period to which that turnover relates.

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

h) *Pensions*

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

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

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

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

i) *Foreign currencies*

Transactions in foreign currencies are translated at the exchange rate ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the SOFA.

j) *Capital Allowance Scheme*

SC has entered into a financing arrangement whereby the lessor funds the construction of certain assets relating to the refurbishment of the RFH. Under the terms of this lease, SC transfers funds into a restricted access bank account in the name of SC and held with a bank which provides a letter of credit in favour of the lessor.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

Funds held in this account cannot be drawn down by SC or applied to any other purpose until 2014. Interest earned on the account is recognised when receivable and is shown within restricted funds.

In accordance with SSAP21, the cost of these assets is capitalised at the value of the minimum lease payments, and a corresponding liability is set up on the balance sheet.

k) *Derivative Financial instruments*

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 RESULT FOR THE YEAR

		2009 £'000	2008 £'000
Operating surplus/(deficit) for the year (per Group Operating Statement)	Page 15	<u>2,505</u>	<u>(2,358)</u>

Operating surplus is stated after charging:

Leasing of land and buildings	103	96
Depreciation charge on assets wholly owned by SC	7,936	4,278
Depreciation charge on assets held by SC under finance leases	-	9
Auditors' remuneration (SC)	65	65
Auditors' remuneration (Foundation)	2	5
Auditors' remuneration for non-audit work (PricewaterhouseCoopers)	-	12
Liability insurance for Governors and employees	16	16
Gains/(losses) on foreign exchange differences	14	(7)

The auditors' remuneration relates to both PricewaterhouseCoopers LLP (£57,000) and the National Audit Office (£10,000).

3 ACTIVITIES FOR GENERATING FUNDS AND INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Activities for generating funds</i>				
Retail and catalogue sales	1,813	2,032	434	589
Concessions and car parking	4,152	3,689	2,058	2,058
Hall and space rentals	983	842	-	-
Memberships and subscriptions	378	284	378	284
Other income	928	808	674	726
	<u>8,254</u>	<u>7,655</u>	<u>3,544</u>	<u>3,657</u>
<i>Incoming resources from charitable activities</i>				
Own promotions	5,466	6,293	5,466	6,293
Hall and space rentals	3,220	2,412	3,844	3,009
Other income	208	513	7	416
	<u>8,894</u>	<u>9,218</u>	<u>9,317</u>	<u>9,718</u>

NOTES TO THE FINANCIAL STATEMENTS

4 STAFF COSTS

	Artistic activity £'000	Generating funds £'000	Governance £'000	Total	
				2009 £'000	2008 £'000
Employee costs amounted to:					
Wages and salaries	10,503	1,999	253	12,755	12,256
Social security costs	937	191	22	1,150	1,071
Pension costs	811	155	15	981	886
	<u>12,251</u>	<u>2,345</u>	<u>290</u>	<u>14,886</u>	<u>14,213</u>

Of these costs, £133,000 (2008: £405,000) relating to the site development team has been capitalised within fixed assets.

The Governors (Chairman and Board members) are not remunerated for their services and Governors received £nil (2008: £nil) in reimbursement of travelling and subsistence expenses.

The average weekly number of persons employed was as follows:

	2009 No.	2008 No.
Full and part-time employees		
Operational services	74	75
Marketing	35	33
Press & Communications	12	12
Visitor Services	82	84
Retail Sales	19	20
Fundraising	19	17
Performing arts	48	45
Hayward Gallery	45	48
Site project team	1	4
Management and administration	41	36
	<u>376</u>	<u>374</u>

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

	2009 No.	2008 No.
£60,001 - £70,000	8	7
£70,001 - £80,000	7	6
£80,001 - £90,000	3	1
£90,001 - £100,000	-	1
£120,001 - £130,000	-	-
£130,001 - £140,000	1	1
£180,000 - £190,000	1	1
	<u>20</u>	<u>17</u>

Of these 20 employees, SBC paid pension contributions of £57,668 (2008: £45,089) for 9 employees (2008: 8 employees) who were members of the defined contribution section of the pension scheme. SC also paid contributions of £40,446 (2008: £36,913) to 5 employees (2008: 4 employees) who were members of the defined benefit section of the pension scheme and 1 employee (2007: 1 employee) who was a member of a personal pension plan.

NOTES TO THE FINANCIAL STATEMENTS

5 TOTAL RESOURCES EXPENDED

Group	Direct costs	Support costs	Total	
	£'000	£'000	2009 £'000	2008 £'000
Costs of generating funds				
Costs of fundraising	679	822	1,501	1,282
Retail and trading	3,158	2,462	5,620	4,680
Costs of charitable activities				
Artistic activity	20,358	19,961	40,319	37,366
Construction and refurbishment	792	-	792	1,178
Governance Costs				
	18	389	407	302
	<u>25,005</u>	<u>23,634</u>	<u>48,639</u>	<u>44,808</u>

6 ALLOCATION OF SUPPORT COSTS

Group	Chief Executive's Department	Finance, Legal and IT	Marketing and Communications	Human Resources	Operations	Total	
	£'000	£'000	£'000	£'000	£'000	2009 £'000	2008 £'000
Costs of generating funds							
Costs of fundraising	121	136	91	31	443	822	748
Retail and trading	363	407	272	92	1,328	2,462	2,245
Costs of charitable activities							
Artistic activity	324	2,871	3,906	649	12,211	19,961	19,137
Governance							
	328	41	-	9	11	389	285
TOTAL support costs	<u>1,136</u>	<u>3,455</u>	<u>4,269</u>	<u>781</u>	<u>13,993</u>	<u>23,634</u>	<u>22,415</u>

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

- Chief Executive's department: based on estimate of time spent on operational activities
- Finance, Legal and IT: calculated time spent on governance and the remainder allocated on basis of headcount
- Marketing and Communications: based on time spent on operational activities
- Human Resources: allocated on basis of headcount
- Operations: based on time spent on operational 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:

	2009 £'000	2008 £'000
Internal audit	59	18
External audit	67	70
Governors' indemnity insurance	16	16
Apportionment of directors' and Governors' costs	247	181
	<u>389</u>	<u>285</u>

NOTES TO THE FINANCIAL STATEMENTS

7 FIXED ASSETS

Group and charity	Land and buildings (Artistic) £'000	Land and buildings (Other) £'000	Assets under Construction £'000	Fixtures and fittings £'000	Plant and machinery £'000	Motor Vehicles £'000	Total £'000
<i>Cost</i>							
At 1 April 2008	275,068	22,760	1,449	4,559	5,096	178	309,110
Additions	1,471	78	284	362	623	-	2,818
Transfers	-	-	(75)	-	75	-	-
At 31 March 2009	<u>276,539</u>	<u>22,838</u>	<u>1,658</u>	<u>4,921</u>	<u>5,794</u>	<u>178</u>	<u>311,928</u>
<i>Depreciation</i>							
At 1 April 2008	31	1,974	-	2,021	2,868	153	7,047
Charge in year	6,224	588	-	312	800	12	7,936
At 31 March 2009	<u>6,255</u>	<u>2,562</u>	<u>-</u>	<u>2,333</u>	<u>3,668</u>	<u>165</u>	<u>14,983</u>
<i>Net Book Value</i>							
At 31 March 2009	<u>270,284</u>	<u>20,276</u>	<u>1,658</u>	<u>2,588</u>	<u>2,126</u>	<u>13</u>	<u>296,945</u>
At 31 March 2008	<u>275,037</u>	<u>20,786</u>	<u>1,449</u>	<u>2,538</u>	<u>2,228</u>	<u>25</u>	<u>302,063</u>

Included in plant and machinery are assets costing £679,653 (2008: £679,653), at a net book value of £nil (2008: £nil), acquired under a finance lease. Depreciation on these assets in the year was £ Nil (2008: £8,662).

Land and buildings comprise SC's three concert halls, the Hayward Gallery, the extension building, the Waterloo Undercroft, Jubilee Gardens and the NFT, the last of which is occupied by the BFI on an underlease. The freehold interest in these properties, with the exception of the Waterloo Undercroft, is vested in Arts Council England. A lease of 150 years on these properties was granted to the Board by the Arts Council commencing on 1 April 1988 and the amount shown for land and buildings represents SC's interest. Under the terms of the lease there are constraints on the transfer of the properties and, therefore, the value stated above cannot be realised for the benefit of SC. SC is responsible for maintaining the properties and keeping it in good repair. The open market value of the land has been assessed at a nominal value, given the constraints on its permitted existing use. The value to SC of its interest in the NFT has been assessed at nil value, given the long underlease to which it is subject. No rent is payable on the lease from Arts Council England to SC and on the underlease from SC to the BFI. The lease on the Waterloo Undercroft is for 150 years, expiring on 26 February 2148, and was partly financed by lottery funds of £937,500 from the Arts Council. In the event that the property is disposed of before that date SC will have to repay a proportion of the lottery funds.

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

A charge has been taken out by each of ACE and HLF over the RFH as security for their contributions towards the refurbishment of the RFH. ACE also has a fixed and floating charge over all assets of the company other than those identified above.

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

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

The RFH refurbishment comprises a number of strands, some of which are deemed to be enhancement and some to be of a repairs and maintenance nature. SC has looked at the total project in order to ascertain the proportion of each category and has applied this fixed proportion to the costs incurred in each year in order to report a figure for capitalised work in progress, with the remaining portion being written off to the SOFA.

At 31 March 2009, SC had incurred costs totalling £91.0m (2008: £89.2m) on the project. 23% of this (£20.6m) has been taken to the SOFA along with the related funding, and the other 77% (£68.6m) has been capitalised.

NOTES TO THE FINANCIAL STATEMENTS

8 INTEREST RECEIVABLE AND PAYABLE

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Interest receivable on bank deposits	180	100	164	93
Interest receivable on escrow accounts	1,757	1,937	1,757	1,937
	<u>1,937</u>	<u>2,037</u>	<u>1,921</u>	<u>2,030</u>

9 DEBTORS

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade debtors	1,003	1,671	854	1,418
Other debtors	346	173	295	109
Amounts owed from group undertakings	-	-	2,774	2,329
Prepayments and accrued income	5,101	5,503	5,005	5,408
	<u>6,450</u>	<u>7,347</u>	<u>8,928</u>	<u>9,264</u>
Accrued income - due after one year	1,995	2,505	1,995	2,505
	<u>8,445</u>	<u>9,852</u>	<u>10,923</u>	<u>11,769</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.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade creditors and accruals	7,925	7,670	7,889	7,628
Obligations under finance leases	20	20	20	20
Loans	1,389	1,978	1,389	1,978
Amounts owed to group undertakings	-	-	1,743	1,175
Advanced ticket sales	1,827	2,019	1,827	2,019
Deferred income	4,831	9,828	4,689	9,672
	<u>15,992</u>	<u>21,515</u>	<u>17,557</u>	<u>22,492</u>
Deferred income for ACE escrow balance	395	382	395	382
Overdraft	-	4,789	-	4,789
Total creditors due within one year	<u>16,387</u>	<u>26,686</u>	<u>17,952</u>	<u>27,663</u>

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

NOTES TO THE FINANCIAL STATEMENTS

11 DEFERRED INCOME

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Deferred income brought forward	10,210	19,795	10,054	19,795
Released in the year	(6,881)	(15,568)	(6,725)	(15,568)
Deferred in the year	1,897	5,983	1,755	5,827
Deferred income carried forward	<u>5,226</u>	<u>10,210</u>	<u>5,084</u>	<u>10,054</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Loans	21,678	21,561	21,678	21,561
Obligations under finance leases	35,136	32,339	35,136	32,339
Other creditors	280	420	280	420
	<u>57,094</u>	<u>54,320</u>	<u>57,094</u>	<u>54,320</u>

The maturity of loans and obligations under finance leases is as follows:

Within one year	1,409	1,998	1,409	1,998
Within two to five years	40,892	8,527	40,892	8,527
After five years	26,476	67,132	26,476	67,132
	<u>68,777</u>	<u>77,657</u>	<u>68,777</u>	<u>77,657</u>
Less future finance charges	<u>(10,554)</u>	<u>(21,759)</u>	<u>(10,554)</u>	<u>(21,759)</u>
	<u>58,223</u>	<u>55,898</u>	<u>58,223</u>	<u>55,898</u>

The loans consist of the following facilities:

- A term loan of £17.4m provided by AIB Group (UK) plc which is secured by a fixed charge over the RFH extension building. This facility is repayable in quarterly instalments until 2027. The loan constitutes 96% of the gross book value of this building.
- A term loan facility of £8.55m provided by Lloyds TSB Bank plc of which £5.7m was utilised as at year end. This is secured on the income stream from the Festival Riverside retail units and is repayable in instalments over 20 years.

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

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Group £'000	Charity £'000
At 1 April 2008	-	-
Charged to profit and loss account	199	199
	<hr/>	<hr/>
At 31 March 2009	199	199
	<hr/>	<hr/>

The provision arises from restructuring costs that are expected to be paid post year end.

14 CONSOLIDATED RESERVES

	Balances as at 1 April 2008 £'000	Movements in resources Incoming £'000	Outgoing £'000	Other losses £'000	Transfers in/(out) £'000	Balances as at 31 March 2009 £'000
<i>Unrestricted funds</i>						
Capital reserve (designated fund)	263,868	7,744	(7,580)	-	134	264,166
General reserves	255	41,521	(39,194)	-	-	2,582
Pension plan (note 15)	(364)	237	-	(7,909)	-	(8,036)
Total unrestricted funds	<hr/> 263,759	<hr/> 49,502	<hr/> (46,774)	<hr/> (7,909)	<hr/> 134	<hr/> 258,712
<i>Restricted funds</i>						
Waterloo Undercroft	281	-	(94)	-	-	187
Capital Reserve: Public Realm	1,644	2,014	-	-	(134)	3,524
Accumulated surplus	26	2,363	(1,771)	-	-	618
Total restricted funds	<hr/> 1,951	<hr/> 4,377	<hr/> (1,865)	<hr/> -	<hr/> (134)	<hr/> 4,329
<i>TOTAL funds (2009)</i>	<hr/> 265,710	<hr/> 53,879	<hr/> (48,639)	<hr/> (7,909)	<hr/> -	<hr/> 263,041
<i>TOTAL funds (2008)</i>	<hr/> 87,067	<hr/> 51,979	<hr/> (44,808)	<hr/> 171,472	<hr/> -	<hr/> 265,710

Unrestricted funds There are two unrestricted funds, one of which is designated.

- The general reserve represents the accumulated surplus which is available for spending on SC's objectives;
- The capital reserve arises from the revaluation of land and buildings at 31 March 2008 as described in note 7 and incorporates the designated fund for fixed assets which vested in Arts Council England on 1 April 1986 under the Local Government Act 1985. These were leased by Arts Council England to the Board in 1988 on a 150 year lease. The reserve will be utilised to match the related depreciation in future years arising from that revaluation.

Restricted funds There are currently three restricted funds:

- a fund to release grants against depreciation on the Waterloo Undercroft;
- a fund to hold grants received for various public realm developments and interest receivable on the escrow account.
- a fund to hold restricted grants received in advance of expenditure from the Paul Hamlyn Foundation and Esmée Fairbairn Foundation for certain artistic projects.

The transfer of £134,000 from the restricted capital reserve to the unrestricted capital reserve arises from the completion of a capital project during the year.

NOTES TO THE FINANCIAL STATEMENTS

14 CONSOLIDATED RESERVES - CONTINUED

Analysis of net assets between funds

	Restricted funds £'000	Unrestricted funds £'000	Total funds	
			2009 £'000	2008 £'000
Tangible fixed assets	3,711	293,234	296,945	302,063
Current assets	618	47,194	47,812	45,017
Current liabilities	-	(16,387)	(16,387)	(26,686)
Creditors falling due after one year	-	(57,094)	(57,094)	(54,320)
Provision for liabilities and charges	-	(199)	(199)	-
Pension plan liability	-	(8,036)	(8,036)	(364)
	<u>4,329</u>	<u>258,712</u>	<u>263,041</u>	<u>265,710</u>

15 CAPITAL COMMITMENTS

<i>Group and charity</i>	2009 £'000	2008 £'000
Authorised and contracted	<u>1,539</u>	<u>1,175</u>

Capital commitments relate to the RFH refurbishment project.

16 COMMITMENTS UNDER OPERATING LEASES

<i>Group and charity</i>	2009 £'000	2008 £'000
Operating leases which expire:		
<i>Land and buildings</i>		
Within one year	4	20
Within five years	-	-
After more than five years	<u>95</u>	<u>69</u>
	<u>99</u>	<u>89</u>

17 PENSION COSTS

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

Defined contribution section

SC's contributions to the defined contribution section in the period ended 31 March 2009 were £207,000 (2008: £182,000). As at 31 March 2009 outstanding contributions were £17,000 (2008: £15,050). SC contributes between 5% and 7% of pensionable salary to the defined contribution section. All contributions are held in separate trustee administered funds.

Defined benefit section

The defined benefit section is funded by employer and employee contributions with assets held in separate trustee administered funds. A full actuarial valuation of the section was undertaken as at 1 April 2005 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 can be expected to increase as members approach retirement.

SC contributed to the defined benefit section at the rate of 13.4% of pensionable salaries. In addition, SC has been contributing £27,500 per month into the defined benefit section of the plan since 1 April 2004. Employees currently pay 1.5% of pensionable salary.

A new schedule of contributions was signed on 23 June 2006. A full actuarial valuation of the scheme is in the process of being carried out as at 1 April 2008.

The major assumptions used by the actuary were:

	2009	2008	2007	2006	2005
	%	%	%	%	%
Rate of increase in pensionable salaries	3.65	3.70	3.45	3.20	3.10
Increase in pensions (guaranteed)	3.10	3.60	3.00	2.75	2.65
Increase in pensions (discretionary)*	0.00	0.00	0.00	0.00	0.00
Discount rate	6.45	6.90	5.40	5.00	5.40
Inflation rate	3.20	3.70	3.00	2.75	2.65
Expected return on equities	7.90	7.75	7.75	7.75	7.75
Expected return on bonds	4.00	4.50	4.75	4.30	4.60
Expected return on property	6.90	6.75	6.75	6.75	6.75

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23 years if they are male and for a further 25 years if they are female. For a member who retires in 20 years at age 65 the assumptions are that they will live on average for a further 25 years after retirement if they are male and for a further 26 years after retirement if they are female.

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

The results of the actuarial valuation as at 1 April 2005 indicated that there was a significant deficit. The trustees were also advised that discretionary pension increases could only be continued if there was a corresponding significant increase in SC's contributions. When the fund is in deficit, the trust deed and rules only permit the trustees to award discretionary pension increases if there is a corresponding increase in the employer's contributions. Consequently, SC has obtained additional independent actuarial advice that in current conditions there is no prospect of future discretionary pension increases without a substantial improvement in the funding position. In formulating this policy SC recognises that circumstances can change and it may be appropriate at a future date to re-introduce an allowance for discretionary pension increases.

	2009	2008
	£'000	£'000
Employer's pension contribution		
Defined benefit section	582	649
Defined contribution section	207	182
	<u>789</u>	<u>831</u>

The assets and liabilities in the pension plan were:

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Equities	13,105	15,841	16,861	15,961	12,728
Bonds	4,890	6,035	5,897	5,559	4,763
Property	963	1,241	1,385	1,201	1,108
Cash	191	121	115	54	-
Market value of Defined Contribution assets	1,851	1,883	1,725	1,350	884
Total market value of assets	<u>21,000</u>	<u>25,121</u>	<u>25,983</u>	<u>24,125</u>	<u>19,483</u>
Present value of liabilities	<u>(29,036)</u>	<u>(25,485)</u>	<u>(30,551)</u>	<u>(30,573)</u>	<u>(27,036)</u>
Deficit in plan	<u>(8,036)</u>	<u>(364)</u>	<u>(4,568)</u>	<u>(6,448)</u>	<u>(7,553)</u>

NOTES TO THE FINANCIAL STATEMENTS

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	2009 £'000	2008 £'000
At 1 April	23,602	28,826
Current service cost	316	398
Interest cost	1,603	1,539
Contributions by plan participants	28	33
Actuarial loss/(gains)	2,739	(6,131)
Benefits paid	(1,103)	(981)
Curtailments	-	(82)
At 31 March	<u>27,185</u>	<u>23,602</u>

Reconciliation of fair value of defined benefit assets	2009 £'000	2008 £'000
At 1 April	23,238	24,258
Expected return on plan assets	1,574	1,676
Actuarial losses on plan assets	(5,170)	(2,397)
Contributions by the Employer	582	649
Contributions by Plan participants	28	33
Net benefits paid out	(1,103)	(981)
At 31 March	<u>19,149</u>	<u>23,238</u>

Analysis of actuarial (losses)/gains recognised:	2009 £'000	2008 £'000
Actual return less expected return on the plan's assets	(5,170)	(2,397)
Experience gains and losses arising on the plan's liabilities	(1,441)	3
Changes in assumptions underlying the present value of the plan's liabilities	(1,298)	6,128
Actuarial (loss)/gain	<u>(7,909)</u>	<u>3,734</u>

	2009 £'000	2008 £'000
Expected return on the assets of the pension plan	1,574	1,676
Interest on the liabilities of the pension plan	<u>(1,603)</u>	<u>(1,539)</u>
	<u>(29)</u>	<u>137</u>

	2009	2008	2007	2006	2005
Difference between expected and actual return on plan's assets					
Amount (£'000)	(5,170)	(2,397)	91	2,985	538
Percentage	(27.0%)	(10.3%)	0.4%	13.0%	2.9%
Experience gains and losses on the plan's liabilities					
Amount (£'000)	(1,441)	3	(2)	2,194	2
Percentage	(5.3%)	-	-	8.0%	-
Total amount recognised in SOFA					
Amount (£'000)	(7,909)	3,734	1,393	554	(813)
Percentage	(29.1%)	15.8%	4.8%	2.0%	(3.1%)

SC employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Plan at 31 March 2009 rounded to the nearest 0.25% per annum.

The scheme's assets performed worse than anticipated during the year in line with the poor performance of the wider financial markets.

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

Overall, there was an actuarial loss of £7.9m in the year.

NOTES TO THE FINANCIAL STATEMENTS

18 SUBSIDIARIES

SCL owns 100% of the issued share capital of SBF (100 shares of £1 each) and SCEL (100 shares of £1 each).

i) *South Bank Foundation Limited*

SBF was formed for the purpose of fundraising for SC, particularly its site development. A summary of its Statement of Financial Activities is shown below:

	2009 £	2008 £
Incoming resources	36,830	1,887,763
Resources expended	<u>(63,952)</u>	<u>(2,203,121)</u>
Net expenditure for the year	<u>(27,122)</u>	<u>(315,358)</u>

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

	2009 £	2008 £
Current assets	11,103	152,235
Creditors: amount falling due within one year	<u>(6,500)</u>	<u>(120,510)</u>
Total net assets	<u>4,603</u>	<u>31,725</u>
Represented by		
Share capital	100	100
Reserves: Restricted funds	104	25,726
Unrestricted funds	<u>4,399</u>	<u>5,899</u>
	<u>4,603</u>	<u>31,725</u>

ii) *Southbank Centre Enterprises Limited*

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

	2009 £	2008 £
Turnover	4,921,848	4,100,545
Cost of sales	(1,055,062)	(1,004,144)
Administrative expenses	<u>(1,109,268)</u>	<u>(774,283)</u>
Operating profit	2,757,518	2,322,118
Interest receivable	16,084	7,109
Net result	<u>2,773,602</u>	<u>2,329,227</u>
Gift aid due to parent company	<u>(2,773,602)</u>	<u>(2,329,227)</u>
Retained in the subsidiary	-	-

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

	2009 £	2008 £
Current assets	1,207,686	1,353,024
Creditors: amount falling due within one year	<u>(1,207,586)</u>	<u>(1,352,924)</u>
Total net assets	<u>100</u>	<u>100</u>
Represented by		
Share capital	100	100
Profit and loss account	-	-
	<u>100</u>	<u>100</u>

19 CONTINGENT LIABILITIES

Group and charity

Legal actions

As a body managing 21 acres of public spaces, SC is currently facing a small number of personal injury claims. A provision has been made for anticipated liabilities. All remaining claims are strongly denied by SC, which believes that they are without foundation. SC has taken legal advice on these cases and believes that there is a reasonable prospect of defending them successfully. In accordance with paragraph 97 of FRS 12, the amounts accrued are not disclosed on the grounds that to do so would be seriously prejudicial.

Capital grant funding

As 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, SC will have to repay a portion of the funds.

20 RELATED PARTIES

Robin Woodhead is a director and Chief Executive of Sotheby's and is also a Governor of SCL. SC stages exhibitions which may incidentally enhance the value of works which may subsequently be offered for sale by Sotheby's on behalf of vendors. During the course of the year neither SCL nor Mr Woodhead were aware of any material case where this might have arisen.

Mr Woodhead has no day to day involvement in deciding which exhibitions or works should be shown at SC.