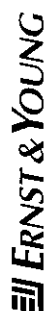


South Bank Employers' Group Limited

Report and Financial Statements

31 March 2005

 **ERNST & YOUNG**



South Bank Employers' Group Limited
(Limited by guarantee)

Registered No: 2974600

Directors

Julia Barfield	London Eye Company
Edward Berg	British Film Institute
Colin Cohen	IBM UK
Andrew Eddy	Shell International
Prof. Deian Hopkin	London South Bank University
David Joy	London & Continental Stations & Property
Mike McCart	South Bank Centre
Steve McGuire	Guy's & St Thomas' Hospital Trust
Mark Stretton	ITV
Christy Swords	ITV
Iain Tuckett	Coin Street Community Builders
Caroline Usher	King's College
Maggie Whitlum-Cooper	Royal National Theatre
Mike Wilkinson	London South Bank University
Basil Winham	P & O Developments

Secretary

Sarah Simpson

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

HSBC Bank plc
22 Stamford Street
London SE1 9LJ

Solicitors

Denton Wilde Sapte
5 Chancery Lane
Clifford's Inn
London EC4A 1BU

Registered office

103 Waterloo Road
London
SE1 8UL

Directors' report

The directors present their report and accounts for the year ended 31 March 2005.

Principal activities and review of operations

The company has existed informally since 1991 and was incorporated on 6 October 1994. It is an association of the major organisations in South Bank, Waterloo and Blackfriars dedicated to achieving the best possible experience for employees, residents and visitors to the area. In the eleven years since it was formed, the company has worked with its members and other partners to change dramatically the urban landscape of South Bank, and to deliver a range of schemes which have contributed to the overall progress of the area. These achievements are detailed in the South Bank Employers' Group's brochure.

In June, the Board's new Chief Executive, Edward Inman, took up post. Following his appointment the company gave renewed precedence to responding to member priorities, recruiting additional members, influencing external partners and looking to the sustainability of the Group beyond the end of current funding streams.

The improvement of the public realm was a high priority for members, with improved management and maintenance of the area being of particular importance. The Group examined the viability of establishing a Business Improvement District for the area, but decided for the time being to pursue a voluntary option. Negotiations continued with the London Borough of Lambeth to secure improved monitoring and priority areas were identified. This work is ongoing and is a key priority for the 2005/08 business plan.

The company continued to chair the Jubilee Gardens Steering Group and, under its auspices, commissioned a design team for the project. The team has been appointed to develop a scheme to the point where it will receive planning permission and is ready for construction. Parallel activity included the beginning of attempts to clarify the covenants held over the site, and establish the best structure for the Jubilee Gardens Trust. Work is continuing in 2005/06.

Other public realm projects included: the refurbishment of the sturgeon lamps between Westminster and Lambeth Bridges; the commencement of a project to improve pedestrian routes through the IMAX subway; a new lighting project for Waterloo Road, and the start of projects to review the area's signage, and to improve and update CCTV coverage.

A number of the Group's public realm initiatives are going forward through the Visitor Management Group. During the year, a framework enabling this group, which reports to the South Bank Partnership, to be the vehicle through which the London Eye's Section 106 funding is allocated was established. This will be further developed in 2005/06.

Work on the company's Improving Local Schools project, specifically the creation of a new IT room at the Johanna School and new kitchens, play area improvements and a new staff room at the Charles Dickens School, was successfully completed and was launched in October 2004. Negotiations were also concluded with London Buses in respect of the company's support for the RV1 Riverside Bus service.

The company continued to act as the delivery and host agent for the Waterloo Project Board, the Waterloo Community Regeneration Trust, and SE1 United, which continued to deliver effective programmes of funding and activity for the benefit of the South Bank, Waterloo and Blackfriars area. Formal arrangements were put in place adopting the South Bank Marketing Group, the Sport Action Zone and the South Bank Property Group as sub-groups of the Board. The company also continued its support of the South Bank Partnership, and quarterly South Bank Forum.

Elizabeth Williams joined as the new Marketing Director in June 2004. Her priorities included marketing the company to members, potential new members, funders and the wider public. This stream of activity featured the production of a corporate calendar, "leave-behind" marketing materials and a new corporate website. Public relations activity was developed to promote the organisation, which included the launch of the Schools project, and the promotion of the Jubilee Gardens shortlist and winning design.

Directors' report

The South Bank Marketing Group continued to consolidate the South Bank's reputation as a popular visitor destination for culture and shopping through a range of targeted promotions including: Summer on South Bank, Christmas on South Bank, the Map poster, a Young Persons Guide to South Bank, Walk This Way, the development of southbanklondon.com and a range of new posters. It also aimed to influence the tourism agenda by developing a range of partnerships with Visit London, the LDA, GLA and others.

The South Bank Property Group was formally established, comprising the land-owning members of the Employers' Group together with a number of other landowners and developers active in the area. The Group aims to maximise communication and co-operation between developers and owners undertaking or planning projects in South Bank, Waterloo and Blackfriars and to be a forum for discussion, lobbying, consultation and co-ordination.

The North Southwark and North Lambeth Sport Action Zone, delivered by South Bank Employers' Group, continued to go from strength to strength in the delivery of local sport, healthy living and related programmes. The Zone has earned a national reputation for the effectiveness of its delivery and strength and variety of its partnerships and is making a vital contribution to the community in both Lambeth and Southwark.

Work on the company's Employment and Skills projects continued. The Comprehensive Ladder of Progression programme, a pilot initiative that aimed to improve the employment and learning prospects of local people, continued with considerable success and secured additional funding.

The Group's programmes and future plans are described more fully in its 2005-2008 Business Plan, which is available on its website, www.sbeg.co.uk. The company continues to build on its outstanding track record of project delivery, to create and lead effective partnerships, and to secure its position with those authorities whose support is crucial to the continuing improvement of the South Bank Employers' Group area.

Principal activity and review of the business

The surplus after taxation for the year to 31 March 2005 was £nil (2004 - £nil).

Directors

Members appoint individual trustees as their nominees and these trustees are the directors of the company with the power to run the company's affairs and to delegate day to day control to an executive committee. The directors during the year to 31 March 2005 were as follows:

Julia Barfield	
Robert Bourne	(resigned 2 March 2005)
Colin Cohen	(appointed 23 September 2004)
Andrew Eddy	
Graeme Fraser Watson	(resigned 27 September 2004)
Ken Green	(resigned 17 March 2005)
David Joy	
Mike McCart	
Jonathan Michael	(resigned 19 January 2005)
Gary Saunders	(resigned 27 September 2004)
Iain Tuckett	
Maggie Whitlum-Cooper	
Basil Winham	
Caroline Usher	

Directors' report

Subsequent to the year end the following directors were appointed:

Edward Berg	(appointed 14 August 2005)
Prof Deian Hopkin	(appointed 2 August 2005)
Steve McGuire	(appointed 19 January 2005)
Amanda Nevill	(appointed 19 January 2005, resigned 24 September 2005)
Mark Stretton	(appointed 2 September 2005)
Christy Swords	(appointed 23 September 2005)
Michael Wilkinson	(appointed 16 June 2005)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By order of the board



Sarah Simpson
Secretary

16 NOV 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

**to the members of South Bank Employers' Group Limited
(Limited by guarantee)**

We have audited the company's financial statements for the year ended 31 March 2005 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of South Bank Employers' Group Limited
(Limited by guarantee) (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

16 NOV 2005

Income and expenditure account

for the year ended 31 March 2005

	Notes	2005 £	2004 £
Income	3		
Subscriptions received during the year	13	292,500	273,000
Movement on deferred income account	13	38,609	2,222
Income from members recognised in the year	13	331,109	275,222
Other contributions from members		60,099	55,706
Local authority funds		4,718,630	4,492,075
Arts Council of England		–	92,974
Sport England		103,420	122,576
Football Foundation		118,510	–
Learning and Skills Council		96,768	166,613
Contributions from other bodies		299,519	261,616
		5,728,055	5,466,782
Direct costs			
Spine Route		18,577	4,462
Finger Posts		–	22,280
Marketing		81,745	203,079
Riverside Walkway		29,125	15,715
Waterloo Project Board		3,156,284	3,091,361
Waterloo Community Regeneration Trust		948,380	846,257
Sport Action Zone		338,492	133,879
Business and Skills		247,128	266,110
Sponsorship - RV1		120,000	–
Other projects		87,918	150,319
		5,027,649	4,733,462
Administrative expenses	4	739,108	754,957
		5,766,757	5,488,419
Net operating deficit	5	(38,702)	(21,637)
Other income	6	47,643	27,046
		8,941	5,409
Results before taxation		8,941	5,409
Taxation	7	(8,941)	(5,409)
Result for the year		–	–

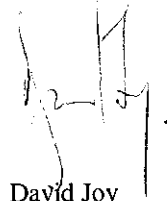
Statement of total recognised gains and losses

There are no recognised gains or losses for the year, other than the profit of £nil attributable to the members for the year ended 31 March 2005 (2004 - profit of £nil).

Balance sheet

at 31 March 2005

	Notes	2005 £	2004 £
Current assets			
Debtors	8	723,800	253,308
Cash at bank and in hand		288,378	852,011
		<u>1,012,178</u>	<u>1,105,319</u>
Creditors: amounts falling due within one year	9	1,012,178	1,105,319
		<u>-</u>	<u>-</u>
Total assets less current liabilities		<u>-</u>	<u>-</u>
Reserves			
Surplus for the year		-	-
		<u>-</u>	<u>-</u>



David Joy
Director

16 NOV 2005

Notes to the financial statements

at 31 March 2005

1. Status of company

The company was incorporated on 6 October 1994 and is limited by guarantee of its members. The guarantee of each member is restricted to £1.

2. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention.

Under the requirements of FRS 1 (revised) the company is exempt from preparing a cash flow statement, on the basis that it is a small company.

Income recognition

In accordance with the company's objects, income and property is to be applied solely in promoting the general benefit of the inhabitants of the South Bank of the River Thames. No part is to be paid by way of a dividend, bonus or otherwise to the members of the company. Accordingly, subscriptions, contributions from members and other bodies, central government grants received and payments from local authorities are recognised to the extent required to meet the costs of the projects being undertaken.

Accruals and deferred income

Accruals and deferred income includes contributions from members and other bodies, central government grants received and payments from local authorities which will meet the future costs of projects being, or to be, undertaken.

Pensions

The company runs a final salary scheme through LAWDC, to which all employees who were employed before February 2004 were entitled to join. Contributions to this scheme are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives. The regular cost is attributed to individual years using the projected unit method. Variations in the pension cost, which are identified as a result of actuarial valuations are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the income and expenditure account are treated either as provisions or prepayments in the balance sheet.

Also, the company directly contributes to certain employees' personal pension schemes. Contributions are charged in the income and expenditure account as they become payable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods of which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 March 2005

3. Income

Income represents subscriptions, contributions from members and other bodies, central government grants received, and payments from local authorities exclusive of VAT, in respect of projects being undertaken by the company in the area known as the South Bank as defined in the Directors' Report. The company also acts as a contractor to other bodies in undertaking projects which benefit that area but will also benefit other areas as a result of its membership of the Cross River Partnership.

4. Staff costs

Administrative expenses include the following staff costs:

	2005	2004
	£	£
Wages and salaries	343,116	361,394
Social security costs	36,482	28,262
Other pension costs	50,884	51,236
	<u>430,482</u>	<u>440,892</u>

Direct project costs include the following staff costs:

	2005	2004
	£	£
Wages and salaries	294,050	289,189
Social security costs	28,589	29,853
Other pension costs	33,964	16,377
	<u>356,603</u>	<u>335,419</u>

The average monthly number of employees during the year was as follows:

	2005	2004
	No.	No.
Administrative staff	12	11
Project staff	10	10
	<u>22</u>	<u>21</u>

No director received any remuneration during the year (2004 - £nil).

Notes to the financial statements

at 31 March 2005

5. Operating deficit

This is stated after charging:

	2005 £	2004 £
Audit fee	13,000	12,000
Payments to auditors for non audit services	1,505	6,675

6. Other income

	2005 £	2004 £
Bank interest receivable	47,643	27,046

7. Taxation

(a) Analysis of charge in year:

	2005 £	2004 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	8,941	5,409

(b) Factors affecting tax charge for the year:

	2005 £	2004 £
Pre-tax result	8,941	5,409
Pre-tax result multiplied by standard rate of corporation tax in UK of 20% (2003 - 20%)	1,788	1,082
<i>Effects of:</i>		
Disallowed expenses and non taxable income	7,153	4,327
Current tax for the year	8,941	5,409

8. Debtors

	2005 £	2004 £
Other debtors	592,085	160,295
Value added tax recoverable	131,715	93,013
	723,800	253,308

Notes to the financial statements

at 31 March 2005

9. Creditors: amounts falling due within one year

	2005	2004
	£	£
Accruals and deferred income	819,406	999,045
Corporation tax	8,748	7,369
Other creditors	184,024	98,905
	<u>1,012,178</u>	<u>1,105,319</u>

10. Share capital

The company is limited by guarantee and does not have share capital.

In the event of the company being wound up, each member has agreed to contribute £1.

11. Contingent liabilities

VAT

The company is in ongoing discussions with HM Revenue & Customs concerning its ability to recover VAT on certain items of expenditure for the period since 1 April 2000. If HM Revenue & Customs rule that the partial exemption is not allowable the liability that may arise would total approximately 20% of the VAT paid on administrative expenses. An estimate of an unfavourable ruling would be in the region of £79,000. While the possibility arising cannot be disregarded the directors consider that no amounts should be provided in the accounts.

12. Pensions

The financial statements have been prepared under SSAP 24 'Accounting for pension costs', however FRS 17 'Retirement Benefits' disclosures have also been provided.

SSAP 24 disclosures

Some employees of the company are members of the LAWDC pension scheme. It is a defined benefit scheme funded by contributions from both the members and the employers. The pension costs are determined with the advice of independent qualified actuaries on the basis of the triennial valuation using the projected unit method.

A full revaluation was carried out as at 31 March 2003 and South Bank Employers' Group Limited has identified their share of the assets and liabilities of the scheme. The surplus in the UK scheme will be recognised as a variation from regular costs over 10 years, the average expected remaining service lives of employees. The results of the revaluation at 31 March 2003, are as follows:

Main assumptions;	
Rate of return on investments (% per annum)	2.5
Rate of salary increases (% per annum)	3.5
Rate of pensions increases (% per annum)	2.5
	<u> </u>
Market value of scheme assets (£000)	65
	<u> </u>

The amount charged in the year is £92,810 (2004 - £56,181).

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2003 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2005. Scheme assets are stated at their market values at the respective balance sheet dates.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	2005 %	2004 %
Main assumptions;		
Rate of increase in salaries	3.9	3.9
Rate of increase in pensions in payment	2.9	2.9
Discount rate	5.4	5.5
Inflation assumption	2.9	2.9

The assets and liabilities of the scheme and the expected rate of return at 31 March are:

	2005 <i>Long-term rate of return expected</i> %	Value £000	2004 <i>Long-term rate of return value expected</i> %	Value £000
Equities	7.20	262.2	7.70	140.4
Corporate bonds	5.40	10.2	5.50	5.6
Government bonds	4.70	15.7	4.75	7.5
Cash	4.75	2.3	4.00	2.3
Total market value of assets		290.4		155.8
Present value of scheme liabilities		(269.4)		(142.8)
Net pension asset		21.0		13.0

Analysis of the defined benefit cost for the year ended 31 March:

	2005 £000	2004 £000
Current service cost	53.8	43.7
Past service cost	0.0	0.0
Total operating charge	53.8	43.7

Notes to the financial statements

at 31 March 2005

12. Pensions (continued)

Analysis of net return on pension scheme

	2005 £000	2004 £000
Expected return on pension scheme assets	13.4	7.1
Interest on pension scheme liabilities	(10.4)	(5.2)
Net return	3.0	1.9

Analysis of amount to be recognised in the statement of total recognised gains and losses:

	2005 £000	2004 £000
Actual return less expected return on pension scheme assets	14.2	12.2
Experience losses arising on scheme liabilities	(17.9)	2.2
Changes in assumptions underlying present value of scheme liabilities	(6.7)	(10.6)
	(10.4)	3.8

Analysis of movements in surplus/(deficit) during the year

	2005 £000	2004 £000
At 1 April 2004	13.0	(1.0)
Total operating charge	(53.8)	(43.7)
Net return	3.0	1.9
Actuarial loss	(10.4)	3.8
Other expenses	(4.6)	(4.2)
Employer contributions	73.8	56.2
At 31 March 2005	21.0	13.0

History of experience gains and losses

	2005 £000	2004 £000
Difference between expected return and actual return on pension scheme assets:		
Amount (£000)	14.2	12.2
Percentage of scheme assets	4.9%	7.81%
Experience losses on pension scheme liabilities:		
Amount (£000)	(17.9)	2.2
Percentage of the present value of scheme liabilities	(6.65)%	1.56%
Total amount to be recognised in the statement of total recognised gains and losses:		
Amount (£000)	(10.4)	3.8
Percentage of the present value of scheme liabilities	(3.86)%	2.64%

Notes to the financial statements

at 31 March 2005

13. Transactions with members

Financial transactions with members were as follows:

Income

Contributions received were as follows:

Member

	Subscriptions £	Marketing £	Other £	Total £
The British Film Institute	19,500	9,000	–	28,500
Coin Street Community Builders Ltd	19,500	9,000	–	28,500
Ernst & Young LLP	19,500	–	–	19,500
Guy's & St Thomas' Hospital	19,500	–	–	19,500
HM Revenue & Customs	19,500	–	–	19,500
IBM UK Ltd	19,500	–	–	19,500
J Sainsbury plc	19,500	–	–	19,500
King's College London	19,500	9,000	–	28,500
London and Continental Railways (UK) Ltd	19,500	–	–	19,500
London Eye Company Ltd	19,500	9,000	2,370	30,870
London South Bank University	19,500	–	–	19,500
P & O Developments Ltd	19,500	–	–	19,500
Royal National Theatre	19,500	9,000	–	28,500
Shell International Ltd	19,500	–	5,000	24,500
South Bank Centre	19,500	9,000	–	28,500
The Old Vic Theatre Trust	–	3,750	–	3,750
	<u>292,500</u>	<u>57,750</u>	<u>7,370</u>	<u>357,620</u>
Deferred income at 31 March 2004	315,950	–	–	315,950
Income in year	292,500	57,750	7,370	357,620
Deferred income at 31 March 2005	(277,341)	–	(5,021)	(282,362)
Income from members recognised in year	<u>331,109</u>	<u>57,750</u>	<u>2,349</u>	<u>391,208</u>

Expenditure

Payments to Ernst & Young LLP in respect of audit, taxation and accounting services are disclosed in note 5. The following expenditure was charged by Coin Street Community Builders Ltd:

	2005 £	2004 £
In respect of maintenance of Spine Route area:	60,000	59,860

14. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2004 - £nil).