

TOURISM
SOUTH EAST

Annual Report & Financial Statements

Year Ended 31 March 2011

the Beautiful South

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Chairman's Statement



The figures in our annual report can never tell the whole story of a turbulent and challenging year.

Our future changed with the election of the Coalition Government and the implementation of its plans to close the Regional Development Agencies. SEEDA, who has provided us each year with our core funding, had to impose on us in-year cuts which amounted to £1.1m, half the planned sum of £2.2m to which we had budgeted and were operating for 2010/2011. More happily, SEEDA was able to protect our funding for our extensive 2012 Games programme which is a bedrock of our work for the coming year. I must salute the whole SEEDA team who have worked so hard to help us manage our painful transition as they have gone through their own.

Faced with these cuts, and the knowledge we would have no core funding at all from April 2011, the board implemented immediate savings but only a limited programme of redundancies. We then appointed highly experienced external consultants to work with us to come up with a plan for a new funding and economic environment.

As a result, in December 2010, the board considered two stark options: to close or adopt a three-year plan which would lead to break even, but would inevitably draw heavily on our reserves. The board unanimously adopted the three-year plan in the belief there was still very much a need for Tourism South East and a commercially viable and sustainable future for us.

CREATING A SUSTAINABLE FUTURE

Since December, we have been implementing this plan. As you will read, we have spent over £400,000 on redundancy and other reorganisation costs. This represents a huge cost to bear, however inevitable, and a sad loss of talent. However, around 35 staff at our Eastleigh offices now complement a further 40 plus staff working at Tourist Information Centres to ensure a strong, experienced team continues to offer vital services.

In addition, Mike Bedingfield, our chief executive through this tough period, accepted an offer to head up the Brighton Festival Fringe. But I am pleased to report Sue Saville, formerly the South East regional director for the National Trust, joined us in April to become our new managing director. I want to pay tribute to all our colleagues who steered us through this period. It takes extraordinary professionalism and focus to continue to deliver our programmes day to day while also working on detailed plans for a

different future in which many of the staff's jobs were at risk.

We are now into a new year, and a new era. And we feel optimistic. The new government's tourism policy, and philosophy, are based around leading destinations, natural tourism brands, and a greater focus on local autonomy. TSE therefore needs to find its new place in such a structure. However, alongside our partnership working with the big players, TSE also exists, and always has, to support those destinations and businesses that cannot be self-sufficient and want to access our collective expertise and services. Between the Brightons and the Oxfords there are numerous less well known but no less well loved tourism experiences to be enjoyed.

The South East may not be a brand in the conventional sense. But that does not stop us having over one million unique visits to our websites a year. Or hitting a return on investment on our partnership marketing campaigns of 30

to 1, 40 to 1, sometimes even 50 to 1. Or being able to pilot such innovative programmes as Countryside 2010 (and 2011) and the newly agreed Great Country Pubs initiative.

THE NEW TOURISM SOUTH EAST

We will be defined by our members, our partners and our customers. We exist to serve them and to promote tourism in the South East and beyond. At a time when resources and financial support have never been more constrained, the opportunities - the 2012 Games, the staycation effect, the Royal Wedding and next year's Diamond Jubilee - have never been greater.

In this austere environment, there is a danger that destination management is reduced to destination marketing, to filling beds and coaches and turnstiles. But we know the visitor experience can and must be improved; we know we need more market data; we know we need a more strategic approach to long term planning; we know the opportunities of tourism cannot be

separated from the needs of local communities; and we know we need constantly to innovate as well as improve.

That is why we have continued to offer our mix of services, not just our marketing, PR and web promotions, locally and internationally, but the training courses that will help improve the skills, the welcome and the hospitality of the UK; the Excellence awards that will encourage everyone to aim higher; the research that will give fresh insights into how we can do better; the support and direct management for Visitor Information Services, still a vital physical presence for information and advice.

We will build our services around our 2,000 commercial members and stay close to their needs. We will look to keep our many local authority members engaged and support their commitment to tourism. We think we can strike a balance between cost and benefit, so we can retain our experience, expertise and knowledge to ensure tourism in the South East and beyond prospers and grows.

We remain open for business.

John Williams
Chairman
Tourism South East



From SEEDA

SEEDA is delighted with Tourism South East's (TSE) strong performance in 2010/11, despite the challenge of managing significant in-year budget cuts and changes in Government policy relating to regional delivery.

SEEDA was equally pleased with TSE's decisive approach to re-shaping the organization, focusing on growing its membership and commercial offer.

The London 2012 Games presents a wonderful opportunity to showcase the region, with enormous potential for a long term legacy of growth and job creation in the visitor economy. TSE has a vital role to play both in coordinating the visitor economy's response to the Games

in partnership with local authorities and other agencies and supporting the industry in the years that follow. Significant progress has been made so far and I fully expect a further year of continued strong results during 2011/12.

The challenge the Board has set for TSE is ambitious and exciting. Strong leadership, along with an informed understanding of the industry and an innovative approach to delivery, will ensure

continued success for TSE. We look forward to working closely with TSE during 2011/12 to ensure that tourism is one of the winners of the 2012 Games.

Dr Susan Priest
Executive Director, Operations
SEEDA

Delivering Gold in 2012

'This training programme provides our staff with the tools to deliver excellent customer service and receive a nationally recognised qualification.'

Scott Stanley, Chief Operating Officer
Gatwick Airport

SEEDA's 2012 funding is ensuring that the South East is ready to welcome the World. Excellent progress was made in showcasing the South East to international buyers and media with the Royal Wedding providing a welcome platform for uplift. Work to secure pre-Games training camps continued with 19 countries signing agreements so far. Support for Welcome Host Gold went from strength to strength with bespoke and destination programmes introduced and, with support from SEEDA 2012, thousands attended Welcome to Excellence courses.



Grenada Olympic representatives visit the South East



Gatwick Airport presented with special Customer Service Award



TSE/VB photo shoot Box Hill, Surrey, location for the Olympic Road Cycling

PRE-GAMES TRAINING CAMPS

Significant emphasis on securing pre-Games training camps for the South East has resulted in 19 countries placing either specific sports or national Olympic or Paralympic committees in venues from Medway to Stoke Mandeville. Amongst others, the South East will host the Australian Athletics team (Tonbridge, Kent), Finland's Paralympic Committee (West Sussex and Stoke Mandeville) and Estonia's Olympic Committee (Surrey). These camps represent a significant opportunity to showcase the South East and more camps are in the pipeline.

ENGAGING WITH TOUR OPERATORS AND THE MEDIA

Over the year, 45 international familiarisation trips were organised bringing 155 journalists, TV crews and tour operators from 19 countries to the South East. January to March 2011 alone saw 25 trips take place compared to 28 in the whole of 2010 with the uplift largely attributed to the Royal Wedding. 63 travel journalists from national, regional and lifestyle publications enjoyed an evening with TSE's partners in London in January 2011.

CAPTURING THE SOUTH EAST IN PICTURES AND FILM

A joint photographic and film project with VisitBritain and Local Authorities took in 19 destinations from Goodwood to Oxford captured in High Definition and stunning photography ready for use by international broadcasters in the run-up to London 2012. Plans are under way to make maximum use of the footage on websites and in press packs. Gatwick is already showcasing some of these on massive poster sites within the airport.

NATIONAL LAUNCH FOR WELCOME HOST GOLD

Welcome Host Gold has been launched nationally and is now one of the leading customer care courses in the UK with tailored versions or bespoke destination programmes also available. The content of the new one-day programme (supported by SEEDA 2012) is mapped to national standards, includes a City & Guilds Level 2 qualification option and aims to help staff deliver a world class welcome through improved sales and team working. At a national level, Parkdean Holidays signed a contract to deliver the programme on a countrywide basis.

GATWICK AIRPORT: TRAINING FOR AN OLYMPIC WELCOME

Gatwick Airport is rolling out a customised version of Welcome Host Gold designed to keep the airport in the top three European Union airports in terms of customer service and to prepare the airport for welcoming the World in 2012. Developed with Tourism South East's Training and Skills team, Gatwick's tailored training programme will help 1,600 security staff contribute to driving improvements for their 32 million annual passengers.

As a direct result of the programme, compliments to the 800 security staff who took part in the first wave have doubled and complaints have dropped by 70%. Plus, recognition has come in the form of an Institute of Customer Service Award which was presented by John Williams, Chairman of Tourism South East.

Overall over 3,900 participants attended Welcome to Excellence customer service training plus 2,500 participants attended SEEDA 2012-funded courses. A sustainability initiative with VisitEngland has made good progress in development and roll-out with the introduction of a Green Start online module and Green Edge Training.

PROMOTING THE SOUTH EAST TO 125 MEETINGS AND CONFERENCE BUYERS

Tourism South East sponsored VisitBritain's bi-annual two-day Discovery Workshop which was attended by 125 international conference buyers. Through Tourism South East's support, 14 partners were able to present themselves to the buyers; there was a breakfast exclusively for Tourism South East suppliers and there were six familiarisation trips resulting in 28 international buyers visiting key conference destinations and venues. Tourism South East coordinated a stand at the three-day Confex exhibition in London's Earls Court, which provided exposure to 12,500 visitors including 960 hosted buyers.

DESTINATION ACCESS AUDITS

Working towards making the South East the most accessible part of Britain, Tourism South East partnered local authorities in Canterbury, Medway, Tunbridge Wells and Dover in delivering a further four Destination Access audits. The audits, funded by Accentuate with local authority match-funding, assess the barriers for visitors with disabilities and any measures necessary to address the issues.

Making Partnerships Happen

'...the Gold award has helped increase awareness of the Visitor Centre at all levels and has contributed to maintaining staff morale and improving our standards further.'

Graham E Hukins, Visitor Centre Manager
Shepherd Neame Brewery

Tourism South East continued to create and maintain successful partnerships with key industry groups in the Beautiful South, at local level such as Visit Kent and Berks, Bucks & Oxon Committee whilst record numbers attended the Tourism Conference. In addition, it was an outstanding year for both regional and national Awards for Excellence. Domestic and international marketing campaigns showed sustained effectiveness with Family Fun and Time for Us both delivering record returns on investment of up to 58:1.



Excursions 2011 experienced a 16% increase in visitors



Family Fun supplement in the Daily Mail saw increased ROI to 58:1

the Beautiful South



AWARDS FOR EXCELLENCE 2010

TOURISM CONFERENCE HOSTS RECORD ATTENDEES

In 2010/11, Tourism South East had 1,926 commercial members and 59 local authorities in membership. Members participated in and benefitted from 25 conferences, meetings, networking and business generation events. A new industry site www.tourismsoutheast.com was launched.

Tourism South East believes that a sustainable future is through its strong membership of commercial and local authority members. Success depends on offering a centre of support, resource and expertise to the tourism industry, ensuring that economies of scale provide opportunities for tourism businesses to engage at national levels, and businesses to network together.

The 2010 Tourism Conference incorporating the Annual General Meeting and Tourism Council hosted the largest-ever number of members who gathered to debate future tourism priorities in the South East. Local Enterprise Partnerships, the build-up to London 2012 and regional issues all came under the spotlight.

ENGAGING WITH LOCAL TOURISM MANAGERS

Tourism South East supports local tourism managers in a variety of ways. A Destination Managers' Forum is held twice a year, focusing on hot topics such as the Government Tourism Policy. Regular workshops are held providing advice and guidance on a range of pertinent matters; one recent example includes a 2012 PR

planning workshop. Specialist tourism advice is offered through one to one meetings. Twice a year TSE hosts in partnership with VisitBritain and DMS suppliers the successful Data Steward Forum, and provides DMS expertise and training when required.

THE BEAUTIFUL SOUTH MARKETING DELIVERS SUCCESS

Tourism South East worked with partners to deliver a range of successful marketing campaigns across domestic, international, consumer and trade markets. The domestic campaigns, Family Fun and Time For Us saw increased ROIs to 58:1 and 48:1 respectively with a total of 56,590 staying visits and 167,210 day visits generating £15.9m incremental visitor spend over 6 months. Features included the Mail on Sunday, The Sunday Telegraph, The Guardian, The Independent, Evening Standard, Britain Planner, Classic FM and Time Out. Tourism South East's consumer websites delivered 1.1m unique visits, a 15% increase on 2009/10.

The Near Europe Trade campaign worked with 20 key German Tour Operators and partners were represented at events in Germany and Belgium. Two media events were attended in Belgium and The Netherlands. VisitEngland partnered in a consumer supplement in a German Sunday publication. Go! Asia Pacific partners were represented at two trade events in China and Destination Britain & Ireland in Dubai, where appointments were conducted with 56 trade operators across Asia Pacific.

The partners in Tourism South East's Group Travel exhibitions started the year with a 16% increase in visitors to Excursions and a record number of coach operators bringing their VIP guests. The e-newsletter programme has continued to improve with Group Travel being the most popular theme.

BEAUTIFUL SOUTH AWARDS FOR EXCELLENCE AND NATIONAL AWARDS FOR EXCELLENCE ATTRACT HIGHEST-EVER NUMBERS

A field of 220 entrants to the Beautiful South Awards for Excellence led to six finalists in the Enjoy England National Awards for Excellence. A record award-winning year for the South East in the national arena proved once again this part of the country can lead in providing a world-class visitor experience.

The Bay Tree Hotel (Small Hotel of the Year), Shepherd Neame Visitor Centre (Small Visitor Attraction), Royal Ascot (Best Tourism Event) and Winchester Tourism Information Centre (Tourist Information Service) were all awarded Gold whilst Chewton Glen Hotel (Large Hotel of the Year) and Tylney Hall Hotel (Outstanding Customer Service) achieved Silver.

Resourcing Business Success

'Tourism South East was a key partner in preparing a strong evidence base for the Cuckmere Pathfinder project, which contributed to the success of the project.'

Andy Arnold, Team Manager, Environmental Advice, East Sussex County Council

The Research Unit has continued to provide invaluable evidence to support local authorities, tourism projects and accommodation studies. The South East's network of Tourist Information Centres was supported on many fronts and Tourism South East led the way in the provision of 2012-related information. Accessibility remained a high priority with the hosting of the second British Disabled Golf Open.



Seven Sisters, East Sussex



TSE and Rother DC celebrate the first anniversary of the opening of RYE TIC



Disabled Golf Open

RESEARCH INSIGHTS

Despite the economic downturn, the need for quantifiable data ensured that the Research Unit remained busy. The team completed just over 32,000 interviews with visitors involving 15 separate visitor surveys, and conducted tourism economic impact studies for 45 local authorities across the South East.

CUCKMERE VISITOR SURVEY PROVIDES STRONG EVIDENCE BASE FOR SUCCESSFUL PROJECT

The Cuckmere estuary meanders and the Seven Sisters White Cliffs East Sussex attract some 450,000 visitors annually but the Environment Agency's decision to withdraw flood maintenance puts the future of the estuary into question. As part of vital evidence-gathering to assess the impact of landscape changes the Research Unit was commissioned to gather data on usage of the estuary and opinions on landscape change. Research results enabled the community to make an evidence-based decision on future estuary management: to maintain the flood defences in the short term whilst exploring the long-term reactivation of the meanders.

HOTEL MARKET STUDIES SUPPORT FUTURE HOTEL INVESTMENT

Establishing an accurate picture of the hotel market for inward investment strategies was the purpose of two Accommodation Futures studies. Hampshire County Council partnered the appraisal of the hotel market in South Hampshire; the Kent Hotel Study was delivered through project partners including Visit Kent and Locate in Kent with Tourism South East co-ordinating

and facilitating match-funding. An independent assessment has shown that previous studies have influenced investment of £115m.

MODERNISING ROLE FOR VISITOR SERVICES

Tourism South East played an important role in Visit England's think tank for modernising visitor information. Other national achievements were the development of modules for the official partner training programme and a toolkit for assessing the economic value of Tourist Information Centres (TICs). Tourism South East led the South East planning for 2012-related visitor information and support included newsletters and co-ordination of purchasing for 2012-related souvenirs.

Tourism South East managed a number of TICs, across Hampshire, Buckinghamshire and East Sussex, under contract to local authorities. The expertise and economies of scale that TSE brings to these contracts has helped local authority partners to keep a high quality service in place at a time when tourism budgets are under increasing scrutiny. To raise the profile of the centres, a number of events were held to celebrate British Tourism Week and St George's Day. As part of British Tourism Week, new MP, Amber Rudd, visited Rye Tourist Information Centre. It was an opportunity to raise awareness of the important role that TICs play in destinations and the contribution they make to local economies. Tourism South East was commissioned to provide more in-depth advice and training to a number of local authorities and commercial TIC providers.

BRITISH DISABLED GOLF OPEN

The second British Disabled Golf Open took place at the East Sussex National and built on the success of the Tourism South East-instigated inaugural event. It's the largest event of its kind in Europe, attracts participants from as far afield as South Africa, generates an estimated £500,000 of media coverage and was praised by both the Secretary of State for Culture, Media and Sport and the Minister for Disabled People.

COUNTRYSIDE 2010

Countryside 2010 was a two week showcase in late May/early June of countryside activities and events in the South East. 2010 was the first year of this Rural Development Programme for England funded initiative. It brought together over 900 countryside-based events, activities and attractions on one website – a one-stop-shop for visitors looking for things to do and see. The campaign encouraged more people to visit and enjoy the great outdoors, try something new, take up a hobby or learn a new skill. It was a great success with the countryside website receiving over 27,000 unique visits. Related press and PR coverage, which included full page coverage in The Sun and a three page feature in Kent Life, exceeded £150,000 in value.

RESOURCING BUSINESS NEEDS

Tourism South East's Tourism Contracts team provided support to a number of local authorities and commercial businesses during 2010/11. These included managing sales and production for Visitor Guides for Havant & Hayling Island, Test Valley and Gosport, supporting Bucks Tourism Officers and Best of Dorset Attractions and providing tourism promotion for Gosport. Tourism South East's e-Business Manager was seconded to West Berkshire District Council to deliver a highly successful Visit Newbury website project.

Report and Financial Statements

For the year ended 31 March 2011

Directors' Report

The directors submit their statutory report and the company's financial statements for the year ended 31 March 2011.

INTRODUCTION

Following the election of the coalition government it was announced that the Regional Development Agencies (RDAs) would be wound up by March 2012, but core financial support for tourism in the South East was ending in 2011. The Board of Tourism South East (TSE) appointed external consultants to develop sustainable business proposals for the future of the company in the light of the changes to funding from the South East England Development Agency (SEEDA).

This review was conducted against a background of uncertainty. Nevertheless, the view of the consultants was that the fundamental needs that affect the business of Tourism South East have not changed. The industry is still made up of many thousands of small businesses that value the opportunity to collaborate and cooperate. The consultation process identified the fact that there is significant demand for the services currently provided by Tourism South East and the benefits of economies of scale and the need for centres of expertise are understood. The mission of Tourism South East has not changed – even if the geographic area within which it operates may change. The current structure of tourism organisations is changing, but there will be a continuing need for organisations to work together to achieve common goals.

Administrative expenses:

	2011 £	2010 £		2011 (excluding exceptional items) £
Administrative credit / (expenses)	110,285	(731,008)	Administrative expenses have decreased to a credit of £110,285 (2010: cost £731,008) as a result of restructuring costs of £474,928 (2010: £nil), and the FRS17 retirement benefits credit of £1,339,000 (2010: £nil). The total net exceptional credit is £821,072. The Administrative expenses for the year excluding exceptional items, is a cost of £710,787.	(710,787)

Surplus / (deficit) for the year after taxation:

	2011 £	2010 £		2011 (excluding exceptional items) £
Surplus / (deficit) for the year after taxation	633,501	(98,010)	The surplus for the year after taxation amounted to £633,501 (2010: £98,010 deficit). The surplus includes an exceptional FRS17 retirement benefits credit of £1,296,000 (2010: £nil). Also, due to in-year cuts of government grants the company reorganised and the surplus includes an exceptional restructuring cost of £474,928 (2010: £nil). The total net exceptional credit is £821,072. The deficit for the year after taxation excluding exceptional items is £187,571.	(187,571)

Interest receivable has decreased to £12,337 (2010: £26,649) mainly as a result of lower interest rates and lower cash balances.

PRINCIPAL RISKS AND UNCERTAINTIES

Significantly reduced government funding for Local Authorities is a continuing risk which will result in reductions in the demand for activities and services provided by the company. The Board manages risk by continually reviewing its priorities and activities, operational efficiencies and by ensuring that its commercial activities are as effective as possible.

During the financial year the company restructured to a sustainable lower cost base and the restructuring costs (£474,928) are included in the year ended 31 March 2011 accounts.

REVIEW OF THE COMPANY'S ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company is the promotion and development of tourism in the south of England.

RESULTS

Turnover for the year amounted to £4,412,249 (2010: £5,341,247), comprising income arising directly from the company's activities of £2,879,299 (2010: £2,849,938), core funding from SEEDA of £1,100,000 (2010: £2,100,000) and membership subscription income of £432,950 (2010: £391,309). Income arising from the company's activities has increased by £29,361. The decrease in total turnover of £928,998 is principally as a result of in-year cuts of £1,100,000 in government grants.

Cost of sales has decreased to £3,811,755 (2010: £4,492,767) mainly as a result of in-year cuts in government grants.

Gross surplus has decreased to £600,494 (2010: £848,480) mainly as a result of in-year cuts in government grants.

FUTURE DEVELOPMENTS AND OTHER ACTIVITIES

The government's policy to close RDAs and replace them with Local Enterprise Partnerships is likely to be completed during 2012. The restructuring of the RDAs has resulted in significant reduction in Tourism South East funding. The company has a three-year business plan and during the year ending 31 March 2012 the company is working under contract with SEEDA on several significant '2012' projects. The company has adequate reserves to cover the next twelve months and accordingly the accounts are prepared on a going concern basis.

Directors' Report

FRS 17 'RETIREMENT BENEFITS'

Under the provisions of Financial Reporting Standard 17 (FRS 17) the company's share of the assets, liabilities and performance of its defined benefit pension schemes is included in its results. These schemes are now closed to new entrants. The standard requires that service costs met by the pension fund are recognised in the profit and loss account, while actuarial gains and losses are recognised in the statement of total recognised gains and losses. Neither the schemes nor their actuarial valuations are under the company's direct control. Scheme liabilities are unlikely to crystallise in the short term, but nevertheless the company is paying contributions at increased rates to help to meet the deficit and has earmarked a pension funding reserve as an additional precaution. Since the introduction of the FRS 17 deficit into the balance sheet (2005) the deficit has increased by £235,000. In the last year the deficit has decreased by £1,887,000. This is mainly due to decreases in the liabilities due to changes in the assumptions as outlined in note 15. The report includes the full triennial actuarial assessments of both the Hampshire and Kent local authority funds which were carried out by qualified independent actuaries at 31 March 2010.

RESERVES

The company has the following reserves as at 31 March 2011:

- The Pension funding reserve of £326,000 (2010: £326,000), which has been created by decision of the Board in response to the defined benefit pension scheme deficits identified in note 15. No formal restrictions have been placed on the use of this reserve.
- The Special projects reserve of £nil (2010: £10,000), which has been created by decision of the Board for use at the Board's discretion.
- The Area Tourism Partnership reserve of £163,431 (2010: £182,614), which has been created by decision of the Board and represents unallocated Area Tourism Partnership funds held for future expenditure.
- The Accumulated deficit of £1,566,758 (2010: £2,873,442 deficit), comprising:
 - the Accumulated surplus (excluding Pension Liability FRS17) of £1,026,242 (2010: £1,606,558)
 - the Pension Liability FRS 17 of £2,593,000 (2010: £4,480,000)

Further information about the company's reserves is provided at note 11.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 7 to the financial statements.

DIRECTORS

Full details of the directors of the company are set out on page 11.

The company maintains liability insurance for its directors and officers.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors have taken all necessary steps to make themselves aware of any information required by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any such information of which the auditors are not aware.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

AUDITORS

A resolution to re-appoint BDO LLP as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



J C W Williams
Director

40 Chamberlayne Road
Eastleigh
Hampshire
SO50 5JH

Registered number: 01345038

Date: 13 July 2011

List of Directors

DIRECTORS OF THE SOUTHERN AND SOUTH EAST ENGLAND TOURIST BOARD

Chairman	John Williams	
Chief Executive	Michael Bedingfield	(resigned 04.02.11)
Managing Director	Sue Saville	(appointed 14.04.11)
Company Secretary	Malcolm Lane ACIS	
Corporate Services Director	Malcolm Lane ACIS	(resigned 31.03.11)
Development Services Director	Peter Colling	
Commercial Services Director	Nigel Smith	
Partnership Director (formerly non-executive Director)	Simon Matthews	(resigned 31.03.11)
SEEDA	SEEDA	(resigned 26.05.11)
Co-opted	David Philip FCA	
Co-opted	Bill Ferris OBE	(resigned 09.06.11)
Co-opted	Ken Robinson CBE	
Co-opted	Greg Dawson	(resigned 23.03.11)
Destination Managers' Forum (formerly Tourism Officers' Forum)	Eloise Appleby	(resigned 05.04.11)
Destination Managers' Forum (formerly Tourism Officers' Forum)	Hayley Beer	(appointed 06.04.11)
Tourism Council, Vice Chairman	Cllr. Therese Evans	
Tourism Council	Vivian Williams	
Tourism Council	Alan Blenkinsopp	(resigned 12.12.10)
Tourism Council	Sandra Barnes-Keywood	
Berks Bucks Oxon Area Tourism Partnership (formerly Sub-Region)	Lyn Bibbings	
Sussex Area Tourism Partnership (formerly Sub-Region)	Sally Ann Lycett	(resigned 15.02.11)
Hampshire Area Tourism Partnership (formerly Sub-Region)	Stephen Munn	
Isle of Wight Area Tourism Partnership (formerly Sub-Region)	John Metcalfe	(resigned 02.02.11)
Kent Area Tourism Partnership (formerly Sub-Region)	Fran Warrington	(resigned 14.07.10)
Kent Area Tourism Partnership (formerly Sub-Region)	Sandra Matthews-Marsh	(appointed 14.07.10)
Surrey Area Tourism Partnership (formerly Sub-Region)	Kevin Lorimer	(resigned 11.02.11)

Independent Auditors' Report

To the members of The Southern and South East England Tourist Board

We have audited the financial statements of The Southern and South East England Tourist Board for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Paul Bricknell (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

Date: 2 August 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and Loss Account

For the year ended 31 March 2011

	Note	2011 £	2011 £	2011 £	2010 £
		Normal Trading	Exceptional Items		
Turnover	2	4,412,249	-	4,412,249	5,341,247
Cost of sales		(3,811,755)	-	(3,811,755)	(4,492,767)
Gross surplus		600,494	-	600,494	848,480
Administrative expenses	3	(710,787)	821,072	110,285	(731,008)
Operating surplus / (deficit)	4	(110,293)	821,072	710,779	117,472
Interest receivable				12,337	26,649
Other finance charges				(96,000)	(238,000)
Surplus / (deficit) on ordinary activities before taxation				627,116	93,879
Tax credit / (charge) on ordinary activities	6			6,385	(4,131)
Surplus / (deficit) for the year				633,501	(98,010)

All operations are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2011

	2011 £	2010 £
Surplus / (deficit) for the year	633,501	(98,010)
Pension scheme net actuarial gain / (loss)	644,000	(1,368,000)
Total recognised gains / (losses) relating to the year	1,277,501	(1,466,010)

The notes on pages 15 to 22 form part of these financial statements.

Balance Sheet

As at 31 March 2011

Registered number 01345038

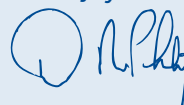
	Note	2011 £	2010 £
Fixed assets			
Tangible assets	7	512,513	561,524
Current assets			
Stock		90,982	96,852
Debtors	8	539,769	748,176
Short term deposits		2,080,032	2,405,851
Cash at bank and in hand		<u>95,794</u>	<u>184,195</u>
		2,806,577	3,435,074
Creditors: amounts falling due within one year	9	(<u>1,803,417</u>)	(<u>1,871,426</u>)
Net current assets		<u>1,003,160</u>	<u>1,563,648</u>
Net assets before pension liability		1,515,673	2,125,172
Pension liability	15	(<u>2,593,000</u>)	(<u>4,480,000</u>)
Net liabilities including pension liability		(<u>1,077,327</u>)	(<u>2,354,828</u>)
Capital and reserves	11		
Pension funding reserve		326,000	326,000
Special projects reserve		-	10,000
Area Tourism Partnership reserve		163,431	182,614
Accumulated (deficit)		(<u>1,566,758</u>)	(<u>2,873,442</u>)
Total deficit		(<u>1,077,327</u>)	(<u>2,354,828</u>)

The financial statements were approved by the Board of Directors and authorised for issue on 13 July 2011.

J C W Williams
Director



D R Philip
Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £	2010 £
Net cash (outflow) / inflow from operating activities	12(a)	(434,282)	(349,196)
Returns on investments and servicing of finance:			
Interest received / net cash inflow from returns on investments and servicing of finance		12,337	26,649
Taxation:			
Corporation tax paid		(4,500)	(24,746)
Capital expenditure and financial investment:			
Payments to acquire tangible fixed assets		(-)	(80,725)
Receipts from sales of tangible fixed assets		<u>12,225</u>	<u>16,101</u>
Net cash (outflow) / inflow from capital expenditure and financial investment		<u>12,225</u>	(<u>64,624</u>)
Management of liquid resources:			
(Decrease) / increase in short term deposits	12(b)	(<u>325,819</u>)	<u>355,851</u>
(Decrease) in cash	12(b)	(<u>88,401</u>)	(<u>767,768</u>)

The notes on pages 15 to 22 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 March 2011

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets with the exception of freehold land on a consistent basis at rates calculated to write off the cost or valuation of each asset evenly over its estimated useful life as follows:

Freehold buildings	50 years
Plant and office equipment	5 years
Motor vehicles	4 years
Computer equipment	3 years

Assets with an individual cost of less than £1,000 are written off on purchase.

The transitional provisions of FRS15, Tangible Fixed Assets, have been adopted. Under these provisions assets brought into account at valuation were retained at their book values and subsequently not revalued, valuations after March 2000 having been obtained for information only and not incorporated in the balance sheet. Details of the valuation in 1998 of the company's freehold property are given in note 7.

Stock

Stocks of saleable publications and other items are valued at the lower of cost and net realisable value. Stocks of non-saleable publications are by decision of the Directors not valued in the financial statements.

Revenue recognition

In accordance with Statement of Standard Accounting Practice 4, Government and similar grants receivable are recognised in the profit and loss account of the period in respect of which the expenditure to which they relate is incurred. Any amounts received in excess of amounts earned are reflected in deferred income. Revenue from other projects is reflected in the period the provision of services to which the income relates is performed. Membership income is accounted for in the period in which the subscription relates.

Leasing commitments

Rentals payable under operating leases are charged to income as incurred.

Pension costs

The company operates two defined benefit schemes and three defined contribution schemes. The assets of the schemes are held and managed separately from those of the company.

For the defined benefit schemes, the company has adopted in these financial statements the full provisions of FRS 17 'Retirement Benefits' in that the amounts charged to operating results 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 profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected returns on assets are shown as a net amount of other finance costs or income. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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 triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

For the defined contribution schemes the amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits represent the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable surpluses in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

Foreign currency policy

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

2 TURNOVER

Turnover represents the total amount recognised by the company in respect of services supplied, goods sold, members' subscriptions and contributions from the South East England Development Agency (SEEDA) and other public bodies.

Income from government grants totalled £1,819,662 for the year (2010: £2,648,328) from SEEDA and other government sources. Although under the terms of the funding agreement with SEEDA, repayment in part of the grant may be required in certain circumstances, the directors consider that, to the best of their knowledge and belief, the likelihood of any such requirement is remote.

3 EXCEPTIONAL ITEMS

During the financial year the company restructured to a sustainable lower cost base and the restructuring costs £474,928 are included in the year ended 31 March 2011 accounts.

FRS 17 pension adjustment (excl. other finance charges) credit £1,296,000 (see note 5 below).

Net total exceptional credit £821,072

Notes to the Financial Statements

For the year ended 31 March 2011

4	OPERATING SURPLUS	2011	2010
	Operating surplus is stated after charging/(crediting):	£	£
	Directors' remuneration	408,073	362,779
	Auditors' remuneration:		
	Fees payable for the audit of the annual accounts	12,000	16,000
	Assurance services – relating to grant audits	18,500	-
	Tax advisory services	3,750	3,750
	Other services	6,500	6,500
	Depreciation	48,051	70,166
	Surplus on disposal of plant, equipment and motor vehicles	(11,265)	(5,684)
	Operating lease rentals - land and buildings	8,065	7,500
		<u>8,065</u>	<u>7,500</u>
5	STAFF COSTS	2011	2010
		£	£
(a)	Wages and salaries	2,184,767	1,992,077
	Social security costs	158,261	171,763
	FRS17 retirement benefits past services credit	(1,296,000)	-
	Other pension costs	250,000	355,000
		<u>250,000</u>	<u>355,000</u>
		<u>1,297,028</u>	<u>2,518,840</u>

Based on actuary's advice, the directors have concluded that the changes in the calculation of pension liabilities based upon inflation indices RPI to CPI is a change in benefit to the staff and accordingly a credit of £1,296,000 (2010: £nil) has been included in staff costs.

In addition to other pension costs is £644,000 (2010: £1,368,000 cost) relating to actuarial gains which have been credited to the statement of total recognised gains and losses.

The average number of persons employed under contracts of service during the year including executive directors was as follows:

		2011	2010
		No.	No.
	Direct	80	90
	Administration	8	11
		<u>88</u>	<u>101</u>
		2011	2010
(b)	Directors' remuneration	£	£
	Salaries	537,722	339,746
	Company pension contributions to money purchase scheme	36,147	23,033
		<u>573,869</u>	<u>362,779</u>
	Aggregate emoluments	573,869	362,779

Retirement benefits are accruing to two directors under a defined benefit scheme and to three directors under money purchase schemes. Aggregate emoluments include severance costs of £165,796 (2010: £nil).

		2011	2010
	Highest paid director:	£	£
	Aggregate emoluments	145,955	92,643
	Company pension contributions to money purchase scheme	16,600	8,400
		<u>162,555</u>	<u>101,043</u>

Aggregate emoluments include severance costs of £55,253 (2010: £nil).

Notes to the Financial Statements

For the year ended 31 March 2011

6 TAX ON SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES

Corporation tax is chargeable in full on the interest receivable and also on any operating surplus / (deficit) to the extent that it arises from the commercial membership.

	2011 £	2010 £
Corporation tax credit at 21% (2010: 21%) on the result for the year	(4,499)	6,385
Taxation overprovided in prior years	(1,886)	(2,254)
	<u>(6,385)</u>	<u>4,131</u>
Factors affecting the tax charge for the year:		
Surplus / (deficit) on ordinary activities before tax	<u>627,116</u>	(93,879)
Surplus / (deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2010: 21%)	131,694	(19,715)
Effects of:		
Expenses not deductible for tax purposes	2,803	3,237
Difference between depreciation and capital allowances	8,352	(28,616)
Other timing differences	(261,030)	35,280
Non-taxable element of operating (surplus) / deficit	113,682	14,313
Adjustments to tax charge in respect of previous periods	(1,886)	(2,254)
Current tax charge overprovided	<u>-</u>	<u>1,886</u>
Current tax (credit) / charge for the year	<u>(6,385)</u>	<u>4,131</u>

7 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
At 1 April 2010	545,000	214,034	353,402	1,112,436
Disposals	<u>-</u>	(44,912)	(49,934)	(94,846)
At 31 March 2011	<u>545,000</u>	<u>169,122</u>	<u>303,468</u>	<u>1,017,590</u>
Depreciation				
At 1 April 2010	79,489	188,887	282,536	550,912
Provided for the year	6,624	12,257	29,170	48,051
Disposals	<u>-</u>	(43,952)	(49,934)	(93,886)
At 31 March 2011	<u>86,113</u>	<u>157,192</u>	<u>261,772</u>	<u>505,077</u>
Net book value				
At 31 March 2011	<u>458,887</u>	<u>11,930</u>	<u>41,696</u>	<u>512,513</u>
At 31 March 2010	<u>465,511</u>	<u>25,147</u>	<u>70,866</u>	<u>561,524</u>

The company's freehold land and buildings were valued in 1998 and reduced to £545,000. If they had not been revalued they would have been included under the historical cost convention at the following amounts:

	2011 £	2010 £
Cost	<u>633,119</u>	<u>633,119</u>
Aggregate depreciation	<u>174,232</u>	<u>167,608</u>

Included within freehold land and buildings is £280,000 (2010: £280,000) for land upon which no depreciation has been provided.

As referred to in note 1, under the provisions of FRS 15 adopted from March 2000, assets brought into account at the valuation detailed above were retained at their book value at that date and subsequently not revalued in the financial statements. If the company's property were sold at its 1998 valuation no corporation tax liability would arise (2010: £nil).

Notes to the Financial Statements

For the year ended 31 March 2011

8	DEBTORS	2011	2010
		£	£
	Trade debtors	345,307	488,496
	Other debtors	4,547	32,954
	Taxation	33,027	117,258
	Corporation tax	4,499	-
	Prepayments and accrued income	152,389	109,468
		<u>539,769</u>	<u>748,176</u>

9	CREDITORS: amounts falling due within one year	2011	2010
		£	£
	Trade creditors	689,952	1,086,655
	Taxation and social security	35,642	50,080
	Corporation tax	-	6,385
	Other creditors	127,491	70,888
	Accruals and deferred income	950,332	657,418
		<u>1,803,417</u>	<u>1,871,426</u>

10 TAXATION

(a) There is no deferred tax liability arising from timing differences between the recognition of gains and losses in the company's financial statements and their recognition for tax purposes. The deferred tax asset arising from such differences on adoption of FRS 19, Deferred Tax is immaterial and no provision is made therefore.

(b) There is no liability to taxation on the capital gain which would arise if the company's freehold land and buildings were to be sold at the valuation included in the balance sheet referred to in note 7.

11 CAPITAL AND RESERVES

The company is incorporated under the Companies Act 1948 as a company limited by guarantee and not having a share capital.

Reserves	Pension funding reserve	Special projects reserve	Area Tourism Partnership reserve	Accumulated deficit	Total
	£	£	£	£	£
As at 1 April 2009	217,000	50,000	228,068	(1,383,886)	(888,818)
Deficit for the year	-	-	-	(98,010)	(98,010)
Transfers between reserves	109,000	(40,000)	(45,454)	(23,546)	-
Actuarial loss recognised in the pension scheme	-	-	-	(1,368,000)	(1,368,000)
As at 1 April 2010	<u>326,000</u>	<u>10,000</u>	<u>182,614</u>	<u>(2,873,442)</u>	<u>(2,354,828)</u>
Surplus for the year	-	-	-	633,501	633,501
Transfers between reserves	-	(10,000)	(19,183)	29,183	-
Actuarial gain recognised in the pension scheme	-	-	-	644,000	644,000
As at 31 March 2011	<u>326,000</u>	<u>-</u>	<u>163,431</u>	<u>(1,566,758)</u>	<u>(1,077,327)</u>

The effect on the Accumulated deficit of the pension scheme liability is as follows:-

	2011	2010
	£	£
Accumulated surplus excluding pension liability	1,026,242	1,606,558
Pension liability	(2,593,000)	(4,480,000)
Accumulated deficit	<u>(1,566,758)</u>	<u>(2,873,442)</u>

Notes to the Financial Statements

For the year ended 31 March 2011

12 CASH FLOW	2011	2010	
	£	£	
(a) Reconciliation of operating surplus to net cash inflow from operating activities:			
Operating surplus	710,779	117,472	
Depreciation charges	48,051	70,166	
Surplus on disposal of plant, equipment and motor vehicles	(11,265)	(5,684)	
Decrease / (increase) in stocks	5,870	(12,288)	
Decrease / (increase) in debtors	212,906	(355,702)	
(Decrease) / increase in creditors	(61,623)	(93,160)	
Defined benefit pension contributions less cost	(1,339,000)	(70,000)	
Net cash (outflow) / inflow from operating activities	<u>(434,282)</u>	<u>(349,196)</u>	
(b) Reconciliation of net cash (outflow) / inflow to movement in net funds:	2011	2010	
	£	£	
(Decrease) / increase in cash	(88,401)	(767,768)	
(Decrease) / increase in short term deposits	(325,819)	355,851	
	<u>(414,220)</u>	<u>(411,917)</u>	
Net funds at 1 April 2010	2,590,046	3,001,963	
Net funds at 31 March 2011	<u>2,175,826</u>	<u>2,590,046</u>	
(c) Analysis of net funds:	At 1 April	Cash	At 31 March
	2010	flow	2011
	£	£	£
Cash at bank and in hand	184,195	(88,401)	95,794
Short term deposits	2,405,851	(325,819)	2,080,032
Net funds	<u>2,590,046</u>	<u>(414,220)</u>	<u>2,175,826</u>

13 CAPITAL AND LEASE COMMITMENTS

- (a) There were no commitments for capital expenditure at 31 March 2011 (2010: £nil).
- (b) The company has no annual commitments under non-cancellable operating leases.

14 TRANSACTIONS WITH RELATED PARTIES AND DIRECTORS

In the normal course of its activities the company enters into commercial transactions with several of its non-executive directors and entities in which non-executive directors are interested. These transactions are carried out at arm's length and at normal commercial rates and with the exception of those with the South East England Development Agency (SEEDA) and Regional Tourist Board Partnerships (RTBP) are considered by the company to be immaterial for the purposes of disclosure requirements of the Companies Act and the relevant Financial Reporting Standard. TSE is a director of, and agent for, RTBP whose principal activity is the promotion and development of tourism through the training system known as the Welcome to Excellence Programme. The directors consider that no one party has control over the company.

Transactions during the year with the SEEDA (Director) and RTBP were as follows:

	2011	2010
	£	£
Income receivable by the company (SEEDA)	<u>1,585,673</u>	<u>2,356,829</u>
Income receivable by the company (RTBP)	<u>14,820</u>	<u>10,195</u>
Balances at 31 March 2011 were:	£	£
Due to the company (SEEDA)	<u>54,508</u>	<u>(150)</u>
Due to the company (RTBP)	<u>17,784</u>	<u>-</u>
Due from the company (RTBP)	<u>77,355</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 March 2011

15 PENSION COMMITMENTS

The company participates in the defined benefit schemes administered by Hampshire County Council and Kent County Council and also operates three defined contribution schemes. Tourism South East is not a trustee of either scheme and has no control over investment decisions and assumptions made by their administrators. The respective costs of these schemes are as follows:

	2011 £000	2010 £000
Defined benefit schemes (credited) / charged to operating deficit	(1,178)	94
Defined benefit schemes charged to other finance charges	96	238
Defined contribution schemes charged to operating deficit	36	23
Defined benefit schemes (credited) / charged to statement of total recognised gains and losses	(644)	1,368
	(1,690)	1,723

At 31 March 2011 contributions of £11,953 (2010: £11,953) by the company were outstanding in respect of one of the defined benefit schemes and are included within creditors.

The last full actuarial assessments of both local authority funds were carried out by qualified independent actuaries at 31 March 2010. At 31 March 2010 the market value of the company's share of assets within the Hampshire County Council scheme was equivalent to a funding level of 72%. To spread this deficit over employees' expected remaining service lives the company, on actuarial advice, is paying contribution rates of 15.6% plus £19,500 and 15.6% plus £21,900 for the years ending 31 March 2012 and 2013 respectively and is paying a rate of 15.6% plus £24,300 for the year ending 31 March 2014. From 1 April 2008 the employees are paying between 5.5% and 7.5%. At 31 March 2010 when the market value of the company's share of assets within the Kent County Council scheme was equivalent to a funding level of 77%. To spread this deficit over employees' expected remaining service lives the company, on actuarial advice, is paying contribution rates of 18.1% plus £46,000 for the years ending 31 March 2012, 2013 and 2014. From 1 April 2008 the employees are paying between 5.5% and 7.5%. The next full actuarial assessments of both local authority funds are being carried out by qualified independent actuaries at 31 March 2013. The results will be available by March 2014.

The valuations have been updated by the actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the Funds as at 31 March 2011. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. Up to 2011 the rate of inflation used is RPI; from 2011 the rate of inflation used is CPI. Actuaries have advised the directors that, the impact of the change to the rate of inflation is equal to the past service credit of £1,296,000 (2010: £nil).

Assumptions

The main assumptions used by the actuaries at each year end are as follows:

	Hampshire County Council Fund				Kent County Council Fund			
	2011 % pa	2010 % pa	2009 % pa	2008 % pa	2011 % pa	2010 % pa	2009 % pa	2008 % pa
Discount rate	5.4	5.5	6.6	6.8	5.5	5.5	6.9	6.9
Rate of increase in salaries	5.2	5.4	5.1	5.2	5.0	5.4	4.6	5.1
Rate of increase in pensions in payment and deferred pensions	2.8	3.9	3.6	3.7	2.7	3.9	3.1	3.6
Rate of inflation	2.8	3.9	3.6	3.7	2.7	3.9	3.1	3.6
Long term expected rates of return on:								
Equities	8.4	8.0	7.0	7.6	7.4	7.5	7.0	7.7
Bonds	4.8	4.5	4.0	4.6	5.5	5.5	5.4	5.7
Property	7.9	8.5	6.0	6.6	5.4	5.5	4.9	5.7
Other assets	8.4	8.0	1.6	6.0	3.0	3.0	4.0	4.8
Average long term expected rate of return	7.1	6.7	5.7	6.7	6.9	6.9	6.3	7.0

The improvement in the balance sheet position is mainly due to decreases in the estimated funded liabilities. These liabilities reflect the changes in assumptions from 2010 to 2011. With effect from 1 April 2011, increases to local government pensions in payments and deferred pensions will be linked to annual increases in the consumer price index (CPI), rather than the Retail Price Index (RPI). Since, over the long term CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the value of the liabilities on the Balance Sheet.

Notes to the Financial Statements

For the year ended 31 March 2011

15 PENSION COMMITMENTS (continued)

Assets

Assets are valued at fair value, principally market value for investments, and are analysed as follows:

	Hampshire County Council Fund				Kent County Council Fund			
	2011 £000	2010 £000	2009 £000	2008 £000	2011 £000	2010 £000	2009 £000	2008 £000
Equities	2,820	2,950	2,006	2,846	1,901	1,704	1,138	1,506
Bonds	1,112	1,289	1,137	1,221	354	345	293	304
Property	325	294	265	265	228	161	155	234
Other	191	279	226	263	51	92	138	124
	<u>4,448</u>	<u>4,812</u>	<u>3,634</u>	<u>4,595</u>	<u>2,534</u>	<u>2,302</u>	<u>1,724</u>	<u>2,168</u>
	Hampshire County Council Fund				Kent County Council Fund			
	2011 £000	2010 £000	2009 £000	2008 £000	2011 £000	2010 £000	2009 £000	2008 £000
Net pension liability:								
Share of assets	4,448	4,812	3,634	4,595	2,534	2,302	1,724	2,168
Estimated funded liabilities	(6,642)	(7,817)	(5,775)	(5,216)	(2,933)	(3,777)	(2,527)	(2,636)
	<u>(2,194)</u>	<u>(3,005)</u>	<u>(2,141)</u>	<u>(621)</u>	<u>(399)</u>	<u>(1,475)</u>	<u>(803)</u>	<u>(468)</u>

The movement in net deficit for the year to 31 March 2011 is as follows:

	Hampshire County Council Fund		Kent County Council Fund	
	2011 £000	2010 £000	2011 £000	2010 £000
Net deficit at beginning of year	(3,005)	(2,141)	(1,475)	(803)
Contributions	90	95	71	69
Current service cost	(91)	(72)	(27)	(14)
Past service credit / (costs)	919	(8)	377	(-)
Other finance charges	(71)	(174)	(25)	(64)
Actuarial (loss) / gain	(36)	(705)	680	(663)
Net deficit at end of year	<u>(2,194)</u>	<u>(3,005)</u>	<u>(399)</u>	<u>(1,475)</u>

Both County Council funds are closed to new members from The Southern and South East England Tourist Board and therefore use of the projected unit method to value liabilities will mean that the current service cost increases as the members approach retirement. Should the company cease to participate in the admission agreements a greater liability than that calculated for FRS17 purposes might result.

Amounts charged to the operating deficit:

	Hampshire County Council Fund		Kent County Council Fund	
	2011 £000	2010 £000	2011 £000	2010 £000
Current service cost	(91)	(72)	(27)	(14)
Past service costs	919	(8)	377	(-)
Total operating credit / (charge)	<u>828</u>	<u>(80)</u>	<u>350</u>	<u>(14)</u>

Amounts charged to other finance income:

Expected return on pension fund assets	317	206	165	108
Interest on pension scheme liabilities	(388)	(380)	(190)	(172)
Net charge	<u>(71)</u>	<u>(174)</u>	<u>(25)</u>	<u>(64)</u>

Notes to the Financial Statements

For the year ended 31 March 2011

15 PENSION COMMITMENTS (continued)

Amounts recognised in the Statement of total recognised gains and losses (STRGL):

	Hampshire County Council Fund		Kent County Council Fund	
	2011 £000	2010 £000	2011 £000	2010 £000
Actual return less expected return on assets	(561)	993	140	486
Experience gains on pension liabilities	483	81	194	-
Changes in assumptions underlying the present value of pension liabilities	<u>42</u>	<u>(1,779)</u>	<u>346</u>	<u>(1,149)</u>
Actuarial losses	<u>(36)</u>	<u>(705)</u>	<u>680</u>	<u>(663)</u>

History of Experience Gains and Losses:

	Hampshire County Council Fund					Kent County Council Fund				
	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Difference between the Expected and Actual Return on Assets:										
Amount (£000)	(561)	993	(1,241)	44	(6)	140	486	(570)	(321)	(17)
Value of assets (£000)	4,448	4,812	3,634	4,595	4,313	2,534	2,302	1,724	2,168	2,619
Percentage of assets	(12.6%)	20.6%	(34.2%)	0.9%	(0.1%)	5.5%	21.1%	(33.1%)	(14.8%)	(0.6%)
Experience (losses) / gains on Liabilities:										
Amount (£000)	483	81	(27)	(35)	(10)	194	-	1	(27)	2
Total present value of liabilities (£000)	6,642	7,817	5,775	5,216	5,813	2,933	3,777	2,527	2,636	3,222
Percentage of the total present Value of liabilities	7.3%	1.0%	(0.5%)	(0.7%)	0.2%	6.6%	0.0%	0.0%	(1.0%)	0.1%
Total amount recognised in statement of total recognised gains and losses:										
Amount (£000)	(36)	(705)	(1,488)	967	20	680	(663)	(349)	112	183
Total present value of liabilities (£000)	6,642	7,817	5,775	5,216	5,813	2,933	3,777	2,527	2,636	3,222
Percentage of the total present Value of liabilities	(0.5%)	(9.0%)	(25.8%)	18.5%	0.3%	23.2%	(17.6%)	(13.8%)	4.2%	5.7%

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