

MIDLANDS ARTS CENTRE
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2012

Company No: 00718349
Charity No: 528979



Clement Keys

CHARTERED ACCOUNTANTS

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**MIDLANDS ARTS CENTRE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 March 2012**

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MIDLANDS ARTS CENTRE CHAIR'S REPORT 2011/2012

I am delighted to report on a very successful year – the second after reopening **mac birmingham** in May 2010 following a two year, £15 million development project. Our Artistic Director and Chief Executive reports elsewhere on some of the remarkable artistic successes celebrated by placing artists and audiences at the heart of our work. I believe what stands out is the way that **mac**'s programme is successful in

- o discovering new talent through our approaches to selection, development and support of artists with whom we work, across genres
- o breaking down institutional barriers by creating new connections outside the organisation and established industry networks
- o increasing artist opportunity and audience participation
- o building the recognition and profile of **mac** as an innovative and risk taking art space
- o supporting artistic development through Learning & Participation and legacy in formulating future opportunities

Some statistics spell out just how very many people are engaging with the centre and in many different ways.

- o 900,000+ visits
- o 100,000+ participants
- o providing work for 200 people directly
- o providing creative opportunities for 153 artists
- o providing artists with 2,300 hours of support in kind at a value of £100,000+
- o 7,908 users of commercial hire services
- o 68% of attenders are city residents
- o 22% of attenders are from BME backgrounds (Ticketed events)
- o 35% of attenders are children or young people (Ticketed events)

Based on the economic model developed for Arts Council England by Professor Dominic Shellard, **mac** and its activities generate an economic impact of over £12m in the local economy. At a time of pressure on public spending and overall economic gloom this indicates a massive return on investment and an indicator of the strength of our programmes, partnerships and collaborations.

This year we have taken several more strides in consolidating digital as an integral part of our organisational, business, creative and learning plans - including work supported by Arts Council England's Digital Content Development programme which aims to catalyse the creation and creative use of digital content platforms for arts organisations across the West Midlands region. Our wireless enabled building and digital studio provide the backbone to many creative projects and initiatives, including running a community online centre providing training sessions for people new to computing and contributing to the national Online Week.

With support from Creative Bridge, a programme of Arts Council and Birmingham City University, we are pleased to be developing smarter and more efficient business processes through the use of digital technologies and extending this capacity to our artistic and community partners

MIDLANDS ARTS CENTRE CHAIR'S REPORT 2011/2012

Together with our partners sampad we have engaged in an exchange with the innovative Medialab Prado in Madrid and several members of the **mac** team have spent time there, bringing back their learning which continues to inform and influence approaches to professional practice and digital development at **mac**. Our focus on digital has included launching a mobile version of our website and significant growth of social media audiences.

It's extremely heartening to report that we significantly exceeded our admission targets for learning programmes showing a strong engagement in learning, personal development and artistic adventure for participants of all ages.

One project in particular broke some moulds, Anticurate - an exhibition imagined as **mac birmingham's** version of an open exhibition. In association with **mac**, artist Trevor Pitt devised the anticurate project as a platform to explore democratic and collective approaches to exhibition curating. Over six weeks the centre's main gallery hosted six unique exhibitions selected from artworks submitted at an anticurate Open Day.

Each exhibition was organised by groups we invited to curate an exhibition using a flexible exhibition structure and space specially designed by Juneau Projects, and supported by independent curators Charlie Levine and Trevor Pitt, the exhibitions team and Producers at **mac**. This project attracted regional, national and international interest and forms an initiative we will further explore in 2013.

Our building continues to win plaudits locally, regionally and nationally.

- o RICS Regional Community Building of the Year and overall regional winning project
- o Winner - Excellence in the West Midlands Construction Awards 2011
- o Finalist - National RICS Award 2011
- o Finalist - National Lottery Awards 2011
- o Finalist - 2011 BIFFA Awards for community benefit
- o Finalist - West Midlands ICE 2011 Awards

It's a particular pleasure to celebrate **mac** Board member Viv Astling's 2012 Arts & Business Cultural Champion Award for his unstinting work as Vice-Chair of **mac**.

To all the artists with whom we work, to our dedicated and resourceful staff team, and to our many partners and collaborators our heartfelt thanks. To my colleague Board members my deep appreciation for all that you give to the organisation on a wholly voluntary basis. We are hugely indebted to our public investors and to the funders who give so generously to support our work.



Anita Bhalla
CHAIR
24 September 2012

MIDLANDS ARTS CENTRE REPORT OF THE ARTISTIC DIRECTOR AND CHIEF EXECUTIVE 2011/2012

Following the successful reopening of **mac birmingham** in May 2010, 2011-12 demonstrated a consolidation of our re-engagement with the public. Our commitment to locate artists at the heart of our work has been fulfilled through

- o five associate artist relationships and a series of supportive producer/presenter roles with supported workspace and mentoring with artists including Kindle Theatre, Jane Packman company, Nick Makoha, Vincent Gould, John Napier and Alex Murdoch and The Other Way Works
- o Further developing **mac** artists' labs including a partnership with Walsall Arts Gallery delivering the British Summer Time professional development programme for Black and Minority Ethnic artists
- o We collaborated with three other centres nationally, the BBC and Arts Council in a project developing new and emerging Spoken Word artists who were able to present their work live and broadcast on Radio 3's The Verb.
- o Another national collaboration in a Puppetry development partnership saw **mac** working with Pif Paf, a company which specialises in a blend of intimate and spectacular visual theatre. Their new large scale puppetry development enabled them to work with Kevin Finnan of **mac** associate company Motionhouse Dance Theatre.
- o A consortium of organisations collaborating in Spoken Word development and performance with Adverse Camber saw two labs at **mac** during the year
- o New work commissioned, produced and supported by **mac** included, for example, Orit Azaz's **mac**lab developing "surprising interventions" in **mac**'s public spaces,
- o Working with Festivals and collaborators, e.g. BE Festival, SHOUT, Harmonic Jazz Festival, Moseley Folk Festival, Fierce Festival, has allowed investment in nurturing new work, often utilising **mac**'s studios as "safe-spaces" for development activity.
- o Embracing our new Gallery and public space exhibition areas, our visual arts programme included
 - **Alieni Iuris** featuring the work of artist Doug Jones which succeeded in the intention to sit across both craft-based and conceptually focused art practice, attended by audiences from both sectors. The exhibition tours to Oriel Davies Gallery, Newtown, Wales in September 2012
 - **Anticurate**, engaged 351 regional artists, over 70 curators from the UK and beyond, and 5 key relationships with community and non-arts groups exploring the premise and practice of curating
 - **Their Wonderlands** - group exhibition featured 21 artists/collectives, and was highly successful in engaging both arts and non arts audiences. Artworks were contained within a cardboard labyrinth designed by 89 year old seminal architect Yona Freidman and viewed under torchlight
 - Stewart Easton's **Four Tragic Tales**. This exhibition was a key factor in the artist securing a place on Craftspace's Making Moves II residency programme with mentoring from established textile artist Deirdre Nelson
 - Made in the Middle featured 35 contemporary craft makers from across the region. This triennial survey show was developed in partnership between Craftspace, **mac birmingham** and The National Centre for Craft & Design. On tour nationally until summer 2013

MIDLANDS ARTS CENTRE REPORT OF THE ARTISTIC DIRECTOR AND CHIEF EXECUTIVE 2011/2012

Young audiences and Participants

- Our commitment to producing imaginative and high quality work for children and families included a re-run of Lost Happy Endings with Red Earth Theatre. We worked with theatre company Fevered Sleep in a 3 year, Paul Hamlyn Foundation funded, partnership Project, Future Play, working to create a sustainable structure for producing/hosting high quality work for children
- We commissioned and produced Star, a sparkling new show tailor-made for 2-5 year olds and any other first time theatre goers, with artists Seonaid Goody and Jonathan Storey
- A collaboration with Birmingham-based Supersonic presented a day of contemporary music performances and music making activities for under-5s
- Management of regional early years development project – Moonbeams3 - working in partnership with over 30 early years settings in the region, providing CPD opportunities for artist practitioners and a national conference
- The development of film and animation work for children. Best seen in a community and outreach project, Screen Juniors in partnership and funded by Coleheath Cluster and a sold out Textiles and animation course in the core programme

Young People

- Our work with Young People stepped on apace when we were successful in attracting substantial support from Monument Trust to continue our Next Generation programme engaging especially with hard-to-reach young people and developing Young People as artists, producers and critics
- We forged a new strategic partnership with creative online network Ideas Tap as their Midlands partner.
- We delivered successful collaborations to support Next Generation projects with Fierce Festival (Press gang), National Youth Theatre (Press Play), Craftspace / Reel Access / Fairbridge Academy (Made in the Middle action research project – 'apprentices' in the making'), ACE dance and music (dance desire youth dance symposium and showcase)
- We worked closely with Reel Access, including working with St Paul's Community Trust, working with excluded young people to develop digital exhibition at **mac** and supporting the activities of the RAFT (Real Access Film Theatre) group of young people at **mac** and in Hodge Hill
- Our programmes now regularly deliver support for young people working towards Arts Award
- A successful summer of **mac** Next Generation programming and projects included We are The Minotaur summer school, Breakin' Out and involvement in the Anticurate exhibition
- Successful development and partnerships with local educational institutions, including collaborations with Birmingham MET College on a project in the main gallery, showcasing events for Birmingham University and regular collaboration with Birmingham School of Acting

MIDLANDS ARTS CENTRE REPORT OF THE ARTISTIC DIRECTOR AND CHIEF EXECUTIVE 2011/2012

We have been delighted particularly by the continued development and success in attracting regular engagement in our Learning and Learning and Participation activities with

- o a further increase in course participations
- o development of film and animation work for children including a sold out Textiles and animation course in the core programme and a programme for young people, including work supporting young people's groups Photosocial and RAFT, and new bespoke half term offers.

With a footfall exceeding 900,000 in our second year of operation, a highly active social media following on Twitter and Facebook, consistently developing sales rates via our website and a very high pick-up rate for print, **mac** has successfully secured awareness of its presence and its offer with participants and audiences. Our trading activities have also seen significant development with Craft Fairs, a gallery pop-up shop, and development of specialist Fairs set to deliver during the coming year

In addition to work at our Cannon Hill base outreach projects have increased, especially in Yardley where **mac** is "Arts Champion" for the Constituency. We have had success in developing groups engaging regularly in, e.g. anticurate as curators, Breakin' Out as performers, and becoming regular attendees at exhibitions and performances. The year saw further development of artist led and participatory based projects in hard to reach areas, building relationships with participants, partners and potential audiences for **mac** including,

- o continued support to groups in Hodge Hill where **mac** was Arts Champion until 2011. A partnership with the Young At Heart group as part of Arts Champion 2011 saw their exhibition tour across the Yardley constituency and to **mac**. The project was inspired by the Craftspace exhibition Made in The Middle
- o supporting workshop programmes with Edgbaston and Selly Oak local arts forums
- o work with communities in Handsworth leading to a major exhibition by photographer Vanley Burke in 2012
- o management of a regional early years development project – Moonbeams3 - funded by Arts Council saw **mac** working in partnership with over 30 early years settings in the region, providing CPD opportunities for artist practitioners and a national conference to be presented in Autumn 2012. The programme continues to March 2013
- o development of a community and outreach project, Screen Juniors, in partnership with and funded by Coleheath Schools Cluster

Our Cinema programme drew many new audiences and a strong programme, especially in the last quarter with Oscar and BAFTA nominated films, drew very strong audience numbers. We were pleased to host a range of special projects and partnerships, e.g.

- o a film programme for Flatpack Festival in March 2012 including participatory workshops for children
- o SHOUT! Festival 2011 celebrating all things LGBT with a season of LGBT films and documentary's from around the globe and host to **mac**'s first Sing-A-Long screening Calamity Jane which sold out
- o Midland Fretted Orchestra performed an original score to classic 1922 film Nosferatu on Halloween 2011 to another sold out audience

MIDLANDS ARTS CENTRE REPORT OF THE ARTISTIC DIRECTOR AND CHIEF EXECUTIVE 2011/2012

- o **mac** hosted the World Premiere of Aaliyah Live in Amsterdam in July 2011, a documentary by Birmingham artist Pogus Caesar about the tragic queen of soul
- o Installation of satellite technology will now give our audiences access to a wide range of live and encore performances of theatre, opera, music-theatre and more in **mac**'s cinema

As we move into the coming financial year we are preparing to celebrate **mac**'s 50th anniversary from summer 2012 to summer 2013 – a year-long feast of events looking back over 50 years of sustained community engagement and artistic development and looking forward to the next 50 years of developing art, artists, audiences and participants - with the core aims of

- o Reminding and Reigniting
 - Neighbours
 - Supporters
 - Those who haven't engaged since re-opening/earlier
- o Deepening Engagement
 - Building users
 - Those who already attend events/activities
- o Building Profile
 - Locally, nationally and internationally



Dorothy Wilson
ARTISTIC DIRECTOR AND CHIEF EXECUTIVE
24 September 2012

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

The Directors present their Annual Report together with the Financial Statements for the year ended 31 March 2012

REFERENCE AND ADMINISTRATIVE INFORMATION

Charity Name	Midlands Arts Centre	
Charity Registration Number	528979	
Company Registration Number	00718349	
Registered Office	Cannon Hill Park Birmingham B12 9QH	
Bankers	HSBC Plc 130 New Street Birmingham B2 4JU	Scottish Widows PO Box 12757 67 Morrison Street Edinburgh EH3 8YJ
Auditors	Clement Keys Chartered Accountants Statutory Auditors No.8 Calthorpe Road Birmingham B15 1QT	

STRUCTURE, GOVERNANCE AND MANAGEMENT

During the year under review, the following individuals served on the Board of Directors,

Cllr Muhammad Afzal (retired 15 August 2011)	Viv Astling (Vice-Chair)
Anita Bhalla (Chair)	Caz Brader (appointed 28 September 2011)
Claire Cochrane (resigned 14 December 2011)	Chris Cuthbert (appointed 28 September 2011)
Cllr Alistair Dow (appointed 28 September 2011)	Emrys Jones
Greg Lawson	Mary Martin
Bharti Parmar (resigned 14 December 2011)	Roger Shannon (resigned 28 September 2011)
John Smith	Ken Sloan (appointed 28 September 2011)
Cllr Penn Wagg (retired 27 June 2011)	Cllr Martin Straker-Welds (apptd 28 Sept 2011)
	Mike Williams

Emrys Jones, Mike Williams and Greg Lawson will retire by rotation and, being eligible, offer themselves for re-election. The directors of the company are also the trustees of the charity. Members of the Board are elected at a general meeting. The Board has authority to fill vacancies arising during the year. Up to three members of the Board can be nominated by Birmingham City Council. The company maintains indemnity insurance for its Directors and Officers.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

STRUCTURE, GOVERNANCE AND MANAGEMENT *continued*

Governing document

Midlands Arts Centre (trading as **mac**) is a company limited by guarantee and a registered charity. It was established on 19 March 1962 (Certificate of Incorporation on . Change of Name, 5 December 1990) and amended to allow for current governance arrangements on 18 November 1992 (11 to 12 Board members) and on 15 November 1995 (2 to 3 Birmingham City Council nominated Board members)

The company's object is the promotion of, education in and appreciation of the arts. This primary charitable object is set out in its governing instrument which is its Memorandum and Articles of Association. The company's Mission is to promote innovative, creative arts activities in ways which help to establish them as an important part of people's lives

mac's principal objectives are to encourage as many people as possible to

- o explore, examine and enjoy the arts activities of others
- o participate in, and undertake, their own arts activities

The governing body is the Board whose members are non-executive and unpaid. The Board meets regularly, retains full and effective control over the company and monitors the Executive (see below). The Board is involved in major strategic decisions and has ultimate responsibility for the conduct and financial stability of the arts centre. It seeks to support the Executive in a culture of mutual confidence and trust.

Recruitment and appointment to the Board of Directors

As set out in the Articles of Association the maximum number of members of the Board (other than those nominated by Birmingham City Council) as specified in article 29 of the articles of association is 12. Birmingham City Council may appoint up to three members of the Board. The Chair and Vice-Chair are elected by the Board from amongst their number. Nominees appointed by Birmingham City Council are subject to the appointment processes of those bodies and the guidelines on appointment to public office as they apply to Local Government nominees. Board members at the date of this Report are listed above as are all Board members who served during the year under review.

Risk management

A detailed review of **mac**'s finances, protocols and procedures has been conducted. As part of **mac**'s ongoing development work, a comprehensive risk analysis has been undertaken, with appropriate actions identified. The Finance & Governance Sub-Committee of the Board regularly reviews the risk register and risk management strategy. The Company insures against risks to the public, employees and third parties and property held by the Company.

Organisational structure

The Board of Directors (the Trustees) meets on a regular basis. The Directors delegate the day to day running of the company to the Artistic Director/Chief Executive (CEO) who is assisted by a Senior Management Team.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

Organisational structure continued

During the year they were

Dorothy Wilson Artistic Director and Chief Executive
Michelle Smith Projects Director
Amanda Roberts Artistic Development Director
Jonathan Birkett: Commercial Services Director
Angela Taylor Head of Finance
Sue Longfils Company Secretary and Administrator

The Board delegates to the CEO full control over the selection and production of all programmes and events presented at, and under the auspices of, **mac**. The CEO and the other members of the Senior Management Team generally attend meetings of the Board. The Board appoints members of the Senior Management Team and determines their contracts of employment. The HR Sub-Committee of the Board reviews the remuneration of the staff annually. The Board monitors the performance of the Senior Management Team and reviews the quality, effectiveness and timeliness of information provided to the Board by the Executive.

The Board has established a Finance and Governance Sub-Committee which reviews the financial performance of the company and plays a full part in strategic business planning. Financial Regulations have been established and approved by the Board of **mac**. They are intended to set out the working arrangements by which the Board gives effect to its statutory financial responsibilities, and to its management powers as defined in paragraphs 39 to 41 of the Articles of Association adopted by Special Resolution on 7 November 1990. Further, they provide details of powers delegated to the CEO and Managers of the Company by the Board in accordance with paragraphs 52 to 53 of these Articles of Association, and to its responsibilities under paragraphs 56 to 59 of these Articles of Association relating to Accounts and Audit.

The CEO is responsible to the Board for the proper administration of the Company's financial affairs. The CEO may delegate to the Head of Finance responsibility for systems, day-to-day accounting and preparation of regular management accounts and budgets.

Related parties

mac is formally a member of the following organisations, with which it co-operates in the pursuit of its charitable objectives.

- o Action for Children's Arts
- o Arts and Business
- o Arts Marketing Association
- o Birmingham Chamber of Commerce and Industry
- o Cinema Exhibitors Association
- o ENGAGE
- o Independent Theatre Council
- o National Campaign for the Arts
- o Theatrical Management Association
- o The National Institute of Adult Continuing Education

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

Related parties continued

The charity's wholly owned subsidiary, **mac** Trading Limited, was established to operate the commercial bar and catering facilities and facilities hire activities at **mac**.

In its work **mac** collaborates with a wide range of artistic and community partners

OBJECTIVES AND ACTIVITIES

mac's principal objectives are to encourage as many people as possible to.

- o explore, examine and enjoy the arts activities of others
- o participate in, and undertake, their own arts activities

The Board of **mac** and its staff have been reviewing its Business planning in the light of operational experience in the new **mac** building and the strategic context for its future activities. In shaping and reviewing its objectives and planning its activities, the trustees have considered the Charity Commission's guidance on public benefit, including the guidance on public benefit and fee charging.

From 2008-2010 **mac** undertook a major capital project to secure its future, replace and refurbish its facilities and deliver the management of a substantially increased building facility. The new, expanded **mac** enables a wide range of arts, learning and participation activities and provides a base for substantial outreach activities through touring and through community engagement, especially in communities with little local access to arts participation. **mac**'s commitment is to continue providing the people of Birmingham, and the wider sub-region, with a year round programme of arts events and learning activities. These activities are designed to meet the interest of all, and embrace specific strands for children, young people, those of retirement age and people with disabilities. **mac** places emphasis on equality of access and the celebration of intercultural activities.

mac communicates comprehensively to the general public through a dedicated interactive website and through a wide range of media, electronic and paper-based campaigns. The use of social media has been actively developed as a means for encouraging user interaction and communication.

The arts centre relies on grants and the income from fees and charges to cover its operating costs. In setting the level of fees, charges and concessions, the Board gives very careful consideration to the accessibility of the centre for those on low incomes.

Regards its programmes and service delivery, the Board has agreed the following:

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

Ethos

mac's ethos is based on a set of values which inform the whole of its activities. The tensions within the values help to shape the organisation's work and add an extra, creative spark to its activities **mac** values the following

- o artistically experimental activities – and ones striving to engage with their audiences
- o celebrating diversity - and strengthening social cohesion
- o offering equal opportunities to everyone – and recognising the uniqueness of artistic talent
- o increasing the accessibility of the arts – and respecting their complexity
- o giving users and audiences more involvement in, and control over, programming – and introducing them to new challenges and innovations
- o helping artists to find their own, unique voice – and to forge productive partnerships with other artists and the general public
- o making the most of the social benefits of the arts – and valuing the pleasure people gain from their own individual artistic expression

Key Strategies

mac seeks to achieve these objectives by

- o using its ethos to promote an adventurous, expressive, and approachable programme of arts events and activities
- o developing intercultural projects which increase people's enjoyment and understanding of their own and different cultures
- o encouraging and facilitating the development of people's own creativity, knowledge and skills
- o providing creative projects and activities for children and young people
- o increasing the numbers and range of **mac**'s existing users
- o deepening the impact of **mac**'s work through community outreach, and regional and national touring
- o offering support, opportunities and practical help to artists to develop their work and careers
- o building on established partnerships with other arts organisations, community groups and agencies, and developing new ones
- o working in partnership with schools, cultural organisations, agencies, public bodies and the non-arts sector to develop programmes for particular target groups
- o becoming the natural hub for artists making new and contemporary work in the city, and create opportunities for artist development
- o providing access to arts projects and programmes to as many people as possible including those with fewer resources and opportunities
- o ensuring the highest possible quality of work

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

FINANCIAL REVIEW

mac's key financial objective is to ensure financial stability and continued solvency year on year so that it can pursue its artistic aims and objectives. For the financial period ended 31 March 2012 **mac** recorded a deficit of £360,695 on unrestricted operations, and the new financial year begins with a surplus of £298,713 on unrestricted general reserve. **mac** has followed SORP 2005 in preparing these financial statements and the statement of financial affairs (SOFA), balance sheet and notes are set out from page 18 onwards.

In Spring 2012 the Board created a new strategic plan in the light of experience of working within the new centre and of funding prospects relating to public sector investment. Progress is being monitored against this plan.

Principal funding sources

mac birmingham generates income from its own sources - box office, fundraising, trading income and other sundry sources including the revenue from touring its productions and exhibitions - fees for outreach projects and activities.

Arts Council Funding

mac is a National Portfolio Organisation within the funding programmes of Arts Council England, through their West Midlands regional office. As a result of reduced grant aid from Government, ACE's revenue grant to **mac** was reduced by 7.5% for the 2011/12 year. **mac** has entered into a three year funding agreement with Arts Council from 1 April 2012 which sees a standstill in cash commitment for 2012/13 and 2% uplift in each of the following two years.

Birmingham City Council Funding

mac has an annually reviewed Service Level Agreement (SLA) with Birmingham City Council. BCC's budgets have also been cut. The Council reduced by 14% its fee for services provided by **mac** for the year commencing April 2011 and has confirmed that this figure will remain at cash standstill for years commencing April 2012 and 2013.

Fundraising for Capital works

Fundraising towards the costs of the **mac/sampad** Building project continued during the year with income of £113,310 received.

Investment Policy

In formulating an investment policy, **mac** has recognised that whilst it may have surplus funds to invest, these are likely to be called upon in the short to medium term. The policy therefore is to hold investments in liquid funds so they are available to meet predicted cash-flow needs. In selecting suitable cash deposits the policy is to maximise the return and maintain low transaction costs whilst ensuring high levels of capital security by minimising credit risk, and minimising interest rate risk. Deposits and interest rates are reviewed regularly by the Finance and Governance Sub-Committee. The policy is reviewed on an annual basis.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

Reserves policy

The reserves of the charity have been divided into Restricted funds and General funds in accordance with charity legislation

The Restricted fund represents money given to **mac** for specific capital and project work within the overall aims of the organisation. The funds are analysed between capital and project, as set out in notes 14 and 15 to the accounts. Grants and donations received for capital purposes are accounted for as restricted funds and depreciation of the underlying fixed assets is charged to these funds over their lifetime. Project funds will usually be spent in full in the next 3 years. The balance on the long-term capital funds represents funds received from donors towards the **mac/sampad** Building Project and for the purchase of fixed assets, less the depreciation charged on an annual basis. Over time these reserves will reduce to zero as the assets are fully depreciated.

The balance on restricted funds as at 31 March 2012 of £2,777,589 includes a balance of £2,218,854 in respect of the capital redevelopment project and £558,735 grants and donations received in respect of specific arts projects.

The General unrestricted reserves figure of £298,713 including £112,945 of designated funds, has been reviewed by the Trustees and they have determined, on the basis of detailed business and financial planning and cashflow projections through to 2015, that this is below the level required to maintain financial stability on an on-going basis, especially in light of the anticipated call on reserves to balance annual budgets and facilitate cashflow in the "new" **mac** whilst its business is re-established and stable trading is achieved. More especially now, in the light of known and potential reductions in public investments over the next few years, it is felt that the level of reserves should be increased and therefore the Strategic plan 2012-2015 aim to realise modest surpluses to rebuild reserves. The Trustees also judge that modest provision should be allowed for unforeseen legal or redundancy costs. It is also recognised that there is particular uncertainty around ticket and other sales receipts in the prevailing economic environment. Further, Trustees recognise that the changing economic environment carries risks to its catering and other trading profits.

Designated Funds

Following discussion by the Board it was agreed to retain a designated fund of £112,945 (2011 £114,240) towards the payment of the lease premium payable to Birmingham City Council on completion of the new lease.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who are also Trustees of Midlands Arts Centre for the purpose of Charity Law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware,

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

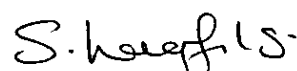
Reappointment of auditors

Under section 487(2) of the Companies Act 2006, Clement Keys will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is the earlier

BY ORDER OF THE BOARD



A Bhalla
CHAIR
24 September 2012



S Longfils
SECRETARY

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE

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

This report is made solely to the charitable 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 charitable company's members those matters we are required to state to them in an auditors' 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 charitable company and the charitable 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, set out on page 14, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2012 and of the group's incoming resources and application of resources, including its income and expenditure 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 and the Charities Act 2011

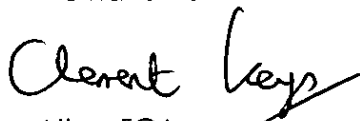
Opinion on other matter prescribed by Companies Act 2006

In our opinion the information given in the Chair's Report, the Artistic Director's and Chief Executive's Report and the Report of the Directors and Trustees 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 and the Charities Act 2011 requires us to report to you if, in our opinion:

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



Simon Atkins FCA

Senior Statutory Auditor
for and on behalf of

**Clement Keys
Chartered Accountants
Statutory Auditors**

**No. 8 Calthorpe Road
Birmingham
B15 1QT**

24 September 2012

**MIDLANDS ARTS CENTRE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including an Income and Expenditure Account)
for the year ended 31 March 2012**

	Notes	Unrestricted funds £	Restricted building project £	Other restricted projects £	2012 Total £	2011 Total £
INCOMING RESOURCES						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grants and donations	2	753,352	113,310	-	866,662	1,428,427
<i>Activities for generating funds</i>						
Commercial trading operations	5	1,194,829	-	-	1,194,829	977,088
Office lettings, hire and recharges		51,826	-	-	51,826	44,479
Investment income		5,920	-	-	5,920	7,964
Incoming resources from charitable activities						
Grants, donations and other income	3	650,000	-	504,592	1,154,592	1,190,271
Arts activities	4	667,159	-	-	667,159	569,912
Total incoming resources		3,323,086	113,310	504,592	3,940,988	4,218,141
RESOURCES EXPENDED						
Costs of generating funds						
Commercial trading operations	5	991,271	-	-	991,271	875,311
Charitable activities						
Building project costs	14	-	9,871	-	9,871	485,460
Arts activities	6 & 14	2,660,934	-	367,327	3,028,261	2,997,039
Governance costs		31,576	-	-	31,576	38,568
Total resources expended	6	3,683,781	9,871	367,327	4,060,979	4,396,378
Net (outgoing)/ incoming resources being net (expenditure)/ income for the year		(360,695)	103,439	137,265	(119,991)	(178,237)
Reconciliation of funds						
Fund balances brought forward		<u>659,408</u>	<u>2,115,415</u>	<u>421,470</u>	<u>3,196,293</u>	<u>3,374,530</u>
Fund balances carried forward		<u>298,713</u>	<u>2,218,854</u>	<u>558,735</u>	<u>3,076,302</u>	<u>3,196,293</u>

All activities of the Group are continuing and there is no difference between the reported result for the year stated above and that on a historical cost basis

The Group has no recognised gains and losses other than those included in the Consolidated Statement of Financial Activities

The notes on pages 21 to 40 form part of these financial statements

MIDLANDS ARTS CENTRE

Company number 00718349

BALANCE SHEETS

as at 31 March 2012

	Notes	Consolidated		Company	
		2012 £	2011 £	2012 £	2011 £
FIXED ASSETS					
Tangible fixed assets	9	2,333,568	97,391	2,327,881	97,391
Investment in subsidiary undertaking	10	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
		<u>2,333,568</u>	<u>97,391</u>	<u>2,327,981</u>	<u>97,491</u>
CURRENT ASSETS					
Stocks	11	14,160	13,894	-	-
Debtors	12	333,078	497,391	657,958	1,137,360
Cash at bank and in hand					
- unrestricted		377,282	726,941	(174,667)	42,798
- restricted – projects		384,068	421,470	558,735	421,470
- restricted – capital		<u>2,218,854</u>	<u>2,115,415</u>	<u>2,218,854</u>	<u>2,115,415</u>
		<u>3,327,442</u>	<u>3,775,111</u>	<u>3,260,880</u>	<u>3,717,043</u>
CREDITORS amounts falling due within one year	13	<u>(2,584,708)</u>	<u>(676,209)</u>	<u>(2,512,559)</u>	<u>(618,241)</u>
NET CURRENT ASSETS		<u>742,734</u>	<u>3,098,902</u>	<u>748,321</u>	<u>3,098,802</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,076,302</u>	<u>3,196,293</u>	<u>3,076,302</u>	<u>3,196,293</u>
Represented by:					
RESTRICTED FUNDS	14 & 15	2,777,589	2,536,885	2,777,589	2,536,885
UNRESTRICTED FUNDS					
General Funds	16	185,768	545,168	185,768	545,168
Designated Funds	16	<u>112,945</u>	<u>114,240</u>	<u>112,945</u>	<u>114,240</u>
		<u>3,076,302</u>	<u>3,196,293</u>	<u>3,076,302</u>	<u>3,196,293</u>

The notes on page 21 to 40 form part of these financial statements

The financial statements were approved by the Board of Directors on 24 September 2012 and signed on its behalf by


A BHALLA - Chair

**MIDLANDS ARTS CENTRE
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2012**

	Notes	2012 £	2011 £
Reconciliation of net outgoing resources to net cash flow from operating activities			
Net outgoing resources		(119,991)	(178,237)
Depreciation charges		26,329	23,607
Net interest		(5,920)	(7,964)
Increase in stocks		(266)	(13,894)
Decrease in debtors		164,313	831,935
Increase / (Decrease) in creditors less non-cash increase in creditors	9 & 20	1,908,499 <u>(2,185,000)</u>	(405,524) <u>-</u>
Net cash (outflow) / inflow from operating activities		<u>(212,036)</u>	<u>249,923</u>
CASH FLOW STATEMENT			
Net cash (outflow) / inflow from operating activities		(212,036)	249,923
Returns on investments and servicing of finance	(a)	5,920	7,964
Capital expenditure	9	<u>(77,505)</u>	<u>(50,548)</u>
(Decrease) / Increase in cash	(b)	<u>(283,621)</u>	<u>207,339</u>

The notes on pages 21 to 40 form part of these financial statements

MIDLANDS ARTS CENTRE
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2012

(a) Returns on investment and servicing of finance	2012	2011
	£	£
Interest received	<u>5,920</u>	<u>7,964</u>

(b) Decrease in cash	2012	2011
	£	£
Balance at beginning of period	3,263,826	3,056,487
Net cash (outflow) / inflow (note c)	<u>(283,621)</u>	<u>207,339</u>
Balance at end of period	<u>2,980,205</u>	<u>3,263,826</u>

(c) Reconciliation of net cash flow to movements in net funds	£
Decrease in cash during year being change in net funds	(283,621)
Net funds at 1 April 2011	<u>3,263,826</u>
Net funds at 31 March 2012	<u>2,980,205</u>

(d) Analysis of changes in net funds	At 1 April	Cash	At 31 March
	2011	flows	2012
	£	£	£
Cash at bank	<u>3,263,826</u>	<u>(283,621)</u>	<u>2,980,205</u>

MIDLANDS ARTS CENTRE
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2012

(a) Returns on investment and servicing of finance	2012	2011
	£	£
Interest received	<u>5,920</u>	<u>7,964</u>

(b) Decrease in cash	2012	2011
	£	£
Balance at beginning of period	3,263,826	3,056,487
Net cash (outflow) / inflow (note c)	<u>(283,621)</u>	<u>207,339</u>
Balance at end of period	<u>2,980,205</u>	<u>3,263,826</u>

(c) Reconciliation of net cash flow to movements in net funds	£
Decrease in cash during year being change in net funds	(283,621)
Net funds at 1 April 2011	<u>3,263,826</u>
Net funds at 31 March 2012	<u>2,980,205</u>

(d) Analysis of changes in net funds	At 1 April	Cash	At 31 March
	2011	flows	2012
	£	£	£
Cash at bank	<u>3,263,826</u>	<u>(283,621)</u>	<u>2,980,205</u>

MIDLANDS ARTS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies is set out below.

a Basis of accounting

The financial statements have been prepared under the historical cost convention and include the results of the charitable company's operations which are described in the Directors' and Trustees' Report.

The financial statements have been prepared in accordance with the provisions of the Companies Act 2006 and in compliance with the revised Statement of Recommended Practice - 'Accounting and Reporting by Charities' issued in March 2005 and applicable accounting standards.

b Basis of Consolidation

The consolidated financial statements consolidate the results of the parent company and of the subsidiary on a line by line basis. A separate Statement of Financial Activities and income and expenditure account for the charitable company itself are not presented because advantage has been taken of the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005.

c Incoming resources

Income from arts activities is included in incoming resources in the period in which the relevant activity takes place. Income is deferred when admission fees are received in advance of the performances or events to which they relate.

Income from donations and grants, including capital grants, is included in incoming resources when these are receivable, except as follows:

- When donors specify that donations and grants given to the charity must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

When donors specify that donations and grants, including capital grants, are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

Income from commercial trading operations is recognised as earned.

Investment income is included in the financial statements as and when receivable and the amounts shown include taxation recoverable thereon, where applicable.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

d Donated services

Where services are provided to the charity as a donation that would normally be purchased from our suppliers, this contribution is included as an estimate based on the value of the contribution to the charity.

e Resources expended

Resources expended are included in the Consolidated Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered

Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities for its beneficiaries and comprises both the direct costs and support costs relating to those activities.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include audit fees and costs linked to the strategic management of the charitable company

All costs are allocated between the expenditure categories of the Consolidated Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity comprise both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them

f Depreciation and impairment

Buildings

Historically, amortisation has been provided on leasehold buildings with effect from 2 April 1984 to write off the expenditure over the remaining period of the lease. However, as the lease is due to be surrendered on practical completion of the new building project it has been fully impaired

Short-term leasehold improvements and fixtures, fittings and equipment

Depreciation is being provided on short-term leasehold improvements and fixtures, fittings and equipment other than computers in equal annual instalments over their estimated working life of between 5 and 25 years

Computers

Depreciation on computers is being provided in equal instalments over an estimated working life of 3 years

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

Impairment

All long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In such circumstances the charitable group estimates the future cash flows expected to result from the use of the asset and its disposal and where those are less than the carrying amount an impairment loss is recognised.

g Capital grants

Grants and donations received for capital purposes are accounted for as restricted funds and depreciation of the underlying fixed assets is charged to these funds.

h Stocks

Stocks are valued at the lower of cost and estimated realisable value.

i Lease rentals

Rentals on operating leases are charged in the revenue account as incurred.

j Pre-production costs

These are written-off on the opening of a production, exhibition or other such project and are not carried forward to match against production income.

k Pension costs

The company is a member of the Pension Scheme for Administration and Technical Staff in the Arts, a defined benefit scheme. Contributions are charged to the Statement of Financial Activities in accordance with the rates advised by the Scheme Actuary.

The company has set up a defined contribution scheme with Standard Life.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

I Going concern

These accounts have been prepared on a going concern basis

The Directors and Trustees have considered the charitable company's business planning in the context of known resources and have reviewed operating basis of the group's operations. A formal business plan for the period to 2015 has been prepared

Midlands Arts Centre is dependent upon the continuing financial support of Birmingham City Council and Arts Council England

As detailed in the Report of the Directors and Trustees, Arts Council England has confirmed funding through until 31 March 2015 and Birmingham City Council has confirmed funding through until 31 March 2014

The Trustees have prepared detailed revenue and cashflow forecasts for the coming year and having considered the results of these forecasts, together with the commitment from Birmingham City Council and Arts Council England, are satisfied that the charitable company remains a going concern

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

2. VOLUNTARY INCOME

	2012	2011
	£	£
Grants, donations and other income – unrestricted		
Arts Council England	734,887	789,352
Pinsent Masons pro-bono fees	<u>18,465</u>	<u>17,297</u>
	<u>753,352</u>	<u>806,649</u>
	2012	2011
	£	£
Grants, donations and other income – restricted		
Capital development		
Monument Trust	58,000	-
Veolia Environmental	30,000	-
Birmingham City Council	18,134	474,939
Owen Family Trust	1,000	1,000
Squire Sanders	296	-
The George Henry Collins Charity	250	-
BIFFAward	-	50,000
Saintbury Trust	-	40,000
Bryant Trust	-	15,000
Coats Foundation Trust	-	6,000
Roughley Charitable Trust	-	3,000
Arts & Business	-	2,143
Baron Davenports Charity	-	2,000
Gilbert Bayes Charitable Trust	-	1,500
Bruce Wake Trust	-	1,000
Weston Beamor Ltd	-	1,000
Fund raising and gift aid donations	<u>5,630</u>	<u>24,196</u>
	<u>113,310</u>	<u>621,778</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2012	2011
	£	£
Grants, donations and other income – unrestricted		
Birmingham City Council – Service level agreement	<u>650,000</u>	<u>756,579</u>
	2012	2011
	£	£
Grants, donations and other income – restricted		
General projects		
Monument Trust	84,600	-
Arts Council England	49,637	32,359
Bryant Trust	20,000	12,000
Roughley Trust	13,000	12,000
DCMS Jerwood	10,000	-
Ideas Tap	10,000	-
Independent Cinema Office	7,740	-
British Film Institute	6,960	-
UFI	4,968	-
Birmingham City Council	4,000	16,000
J Feeney	4,000	-
Ofcom	3,196	-
Grimmit Trust	2,700	1,000
Saintbury Trust	2,000	5,000
Theatre Sandbox	-	2,800
Baron Davenport	1,500	-
CENTRO	1,057	-
Tyndallwoods	1,000	-
East Midlands Business Ltd	1,000	-
Other	5,762	14,356
	<u>233,120</u>	<u>95,515</u>
Sound Futures		
Youth Music	120,000	134,350
Partner income	18,006	21,005
Birmingham Music Service	10,000	18,000
Music Leader	6,000	10,000
Project management fees	5,238	14,669
Birmingham Youth Service	1,000	-
Octopus	-	24,518
Pump	-	6,000
	<u>160,244</u>	<u>228,542</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES (Continued)

	2012 £	2011 £
Music Leader		
Youth Music – core funding	99,182	90,000
Sound Futures	6,000	12,000
Worcester County Council	1,850	1,850
Bristol Music Trust	673	-
Music Leader South West	673	1,326
Music Leader London	150	-
Music Leader North West	150	-
Music Leader East Midlands	150	-
Music Leader South East	150	-
Music Leader Yorkshire	150	-
Hereford City Council	-	2,000
Regional Youth Works Unit	-	1,000
Other	2,100	1,459
	<u>111,228</u>	<u>109,635</u>
	<u>504,592</u>	<u>433,692</u>

For further information relating to restricted funds please see note 15

4. INCOME FROM ARTS ACTIVITIES

	2012 £	2011 £
Cinema	165,644	140,156
Learning and Participation	266,115	213,896
Visual Arts	15,386	13,009
Productions and Performances	219,638	201,651
Other	<u>376</u>	<u>1,200</u>
	<u>667,159</u>	<u>569,912</u>

During 2011, the charitable company operated for an 11 month period between 1 May 2010 and 31 March 2011

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

5. TRADING OPERATIONS

The charitable company owns 100% of the share capital of Midlands Arts Centre Trading Limited which provides catering services, event sales & hire. During the year, Midlands Arts Centre Trading Limited made sales of £20,591 (2011 £20,852) to the parent company.

	2012	2011
	£	£
Turnover	1,215,420	997,940
Cost of sales	<u>(352,505)</u>	<u>(309,715)</u>
Gross profit	862,915	688,225
Staff costs	(424,068)	(406,994)
Other operating costs	(88,298)	(36,402)
Transactions with parent company		
Facility fee payable	(124,200)	(120,000)
Technical and customer services support recharged	(41,301)	(41,365)
Room rental payable	(96,047)	(77,691)
Licence fees payable	(2,200)	(2,200)
Covenanted profit transferred under gift aid	<u>(86,801)</u>	<u>(3,573)</u>
Operating profit	-	-
Tax on profit on ordinary activities	-	-
	<u> </u>	<u> </u>
Retained in subsidiary	<u> </u>	<u> </u>

During 2011, the company traded for an 11 month period between 1 May 2010 and 31 March 2011.

The assets and liabilities of the subsidiary at 31 March were:

Net current assets	<u>100</u>	<u>100</u>
Total net assets	<u>100</u>	<u>100</u>
Aggregate share capital and reserves	<u>100</u>	<u>100</u>

**MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012**

6. TOTAL RESOURCES EXPENDED

	Cinema	Learning and participation	Visual arts	Productions & performances	Restricted building project	Other restricted projects	Trading operations	2012 Total	2011 Total
	£	£	£	£	£	£	£	£	£
Costs directly allocated to activities									
Staff costs, travel and subsistence	73,196	305,579	124,126	359,571	-	123,643	429,810	1,415,925	1,412,752
Payments relating to artists	49,381	206,151	83,738	242,575	-	196,513	-	778,358	746,307
Materials and consumables	6,228	25,998	10,560	30,592	-	8,691	409,331	491,400	413,084
Communications	15,386	64,236	26,093	75,586	-	1,474	-	182,775	203,258
IT systems providing direct arts support	2,415	10,083	4,095	11,864	-	9,263	2,255	39,975	18,062
Administration	6,766	28,244	11,473	33,234	-	4,731	23,475	107,923	71,698
Other	-	-	-	-	-	800	-	800	1,281
Capital purchases	-	-	-	-	9,871	-	-	9,871	485,460
Total direct costs	153,372	640,291	260,085	753,422	9,871	345,115	86,487	3,027,027	3,351,902
Support costs allocated to activities									
Premises and services costs	-	-	-	-	-	19,016	126,400	145,416	141,458
Building running costs	35,702	149,049	60,543	175,383	-	3,196	-	423,873	458,981
HR and administration	8,696	36,304	14,747	42,718	-	-	-	102,465	90,664
Finance and IT	20,662	86,262	35,039	101,504	-	-	-	243,467	228,825
Governance	2,680	11,188	4,545	13,164	-	-	-	31,577	38,568
Operations and planning	7,397	30,879	12,543	36,335	-	-	-	87,154	86,000
Total support costs	75,137	313,682	127,417	369,104	-	22,212	126,400	1,033,952	1,044,476
Total costs - 2012	<u>228,509</u>	<u>953,973</u>	<u>387,502</u>	<u>1,122,526</u>	<u>9,871</u>	<u>367,327</u>	<u>991,271</u>	<u>4,060,979</u>	<u>4,396,378</u>
Total costs - 2011	<u>245,123</u>	<u>846,234</u>	<u>455,845</u>	<u>1,017,012</u>	<u>485,460</u>	<u>471,303</u>	<u>875,301</u>	<u>-</u>	<u>4,396,378</u>

Support costs have been allocated to activities on a percentage linked to direct costs

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

7. CHARITABLE EXPENDITURE	2012	2011
	£	£
Expenditure includes:		
Auditors' remuneration		
- in respect of audit (Parent company £7,500 (2011 £10,000))	10,000	12,500
- over accrual in respect of prior year audit	-	(1,725)
- for other services (Parent company £Nil (2011 £1,500))	-	1,500
- for specialist VAT advice (all holding company)	3,775	5,390
Depreciation – owned assets	26,329	23,607
	<u> </u>	<u> </u>

8. STAFF COSTS	2012	2011
	£	£
Wages and salaries	1,532,316	1,669,151
Social security costs	126,654	126,688
Pension costs	39,071	36,909
Pension deficit reduction	<u>44,021</u>	<u>-</u>
	<u>1,742,062</u>	<u>1,832,748</u>

The company contributes to the Pension Scheme for Administrative and Technical Staff in the Arts, which is a national scheme of the defined benefit type. The scheme is closed to new members. The company has also established a defined contribution scheme with Standard Life.

No trustee received any remuneration or reimbursed expenses during the year.

The average number of employees in the year was as follows

	2012	2011
	Number	Number
Business and administration staff – Full time	31	31
Business and administration staff – Part time	67	43
Arts team – Full time	11	16
Arts team – Part time	73	79
Catering, bar and events staff	<u>41</u>	<u>37</u>
	<u>223</u>	<u>206</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

9. TANGIBLE FIXED ASSETS

Consolidated	Leasehold land and buildings £	Short Leasehold Improvements £	Fixtures and fittings £	Computers £	Total £
Cost					
At 1 April 2011	2,368,422	14,669	136,479	41,962	2,561,532
Additions	<u>2,185,000</u>	<u>33,048</u>	<u>44,458</u>	-	<u>2,262,506</u>
At 31 March 2012	<u>4,553,422</u>	<u>47,717</u>	<u>180,937</u>	<u>41,962</u>	<u>4,824,038</u>
Depreciation					
At 1 April 2011	2,368,422	90	68,865	26,764	2,464,141
Charge for year	-	<u>1,797</u>	<u>16,521</u>	<u>8,011</u>	<u>26,329</u>
At 31 March 2012	<u>2,368,422</u>	<u>1,887</u>	<u>85,386</u>	<u>34,775</u>	<u>2,490,470</u>
Net book values					
At 31 March 2012	<u>2,185,000</u>	<u>45,830</u>	<u>95,551</u>	<u>7,187</u>	<u>2,333,568</u>
At 31 March 2011	-	<u>14,579</u>	<u>67,614</u>	<u>15,198</u>	<u>97,391</u>

Additions to leasehold land and buildings represent the amount payable under a development agreement in respect of a lease premium due on the granting of a new lease to **mac** upon the final completion of the building project. A corresponding creditor has been recognised to reflect the payment due.

As the lease has not yet been signed, no depreciation has been charged on the capitalised amount.

For further details see note 20.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

9. TANGIBLE FIXED ASSETS (Continued)

Company	Leasehold land and buildings £	Short Leasehold Improvements £	Fixtures and fittings £	Computers £	Total £
Cost					
At 1 April 2011	2,368,422	14,669	136,479	41,962	2,561,532
Additions	<u>2,185,000</u>	<u>33,048</u>	<u>38,312</u>	-	<u>2,256,360</u>
At 31 March 2012	<u>4,557,422</u>	<u>47,717</u>	<u>174,791</u>	<u>41,962</u>	<u>4,817,892</u>
Depreciation					
At 1 April 2011	2,368,422	90	68,865	26,764	2,464,141
Charge for year	-	<u>1,797</u>	<u>16,062</u>	<u>8,011</u>	<u>25,870</u>
At 31 March 2012	<u>2,368,422</u>	<u>1,887</u>	<u>84,927</u>	<u>34,775</u>	<u>2,490,011</u>
Net book values					
At 31 March 2012	<u>2,185,000</u>	<u>45,830</u>	<u>89,864</u>	<u>7,187</u>	<u>2,327,881</u>
At 31 March 2011	-	<u>14,579</u>	<u>67,614</u>	<u>15,198</u>	<u>97,391</u>

Additions to leasehold land and buildings represent the amount payable under a development agreement in respect of a lease premium due on the granting of a new lease to **mac** upon the final completion of the building project. A corresponding creditor has been recognised to reflect the payment due.

As the lease has not yet been signed, no depreciation has been charged on the capitalised amount.

For further details see note 20.

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

The company owns 100% of the issued share capital of Midlands Arts Centre Trading Limited, a company registered in England and Wales, and whose principal activity is the provision of catering services, event sales and hire. The results of the subsidiary undertaking are set out in note 5.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

11. STOCK	2012	2011
	£	£
Catering and bar stocks	<u>14,160</u>	<u>13,894</u>

12. DEBTORS	Consolidated		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts falling due within one year				
Due from subsidiary undertaking	-	-	338,027	699,491
Other debtors	171,370	307,623	161,042	269,516
Prepayments	124,418	113,901	122,077	113,901
Accrued income	<u>37,290</u>	<u>75,867</u>	<u>36,812</u>	<u>54,452</u>
	<u>333,078</u>	<u>497,391</u>	<u>657,958</u>	<u>1,137,360</u>

13. CREDITORS	Consolidated		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts falling due within one year				
Trade creditors	152,633	199,773	106,739	174,523
Taxation and social security	866	51,186	-	49,118
Other creditors	40,815	47,071	40,916	47,071
Accruals	2,329,025	154,625	2,312,159	134,934
Deferred income	<u>61,369</u>	<u>223,554</u>	<u>52,745</u>	<u>212,595</u>
	<u>2,584,708</u>	<u>676,209</u>	<u>2,512,559</u>	<u>618,241</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

14. RESTRICTED FUNDS (Charity and group)

	Capital Development £	Projects (note 15) £	Total £
At 1 April 2011	2,115,415	421,470	2,536,885
Incoming resources			
Incoming resources (notes 2/3)	113,310	504,592	617,902
Investment income	-	-	-
Total incoming resources	113,310	504,592	617,902
Resources expended			
Building project costs	(9,871)	-	(9,871)
Arts activities	-	(367,327)	(367,327)
Total resources expended	(9,871)	(367,327)	(377,198)
At 31 March 2012	2,218,854	558,735	2,777,589

Arts Council England has novated their funding agreement for the **mac/sampad** building project to Birmingham City Council to enable the City Council to deliver the Building project through their partnering framework. This, with the City Council's funding commitment has cemented the practical realisation of the project.

The accounting policy in respect of expenditure on the building project is that it has not been capitalised, but is recorded as charitable expenditure. This policy is currently deemed acceptable due to the nature of the costs incurred and given that the existing lease on the building will be surrendered. The capital value of the building project will be reflected in the lease premium payable on the new lease.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

15. ANALYSIS OF RESTRICTED PROJECT FUNDS (Charity and group)

	1 April 2011 £	Incoming resources £	Resources expended £	31 March 2012 £
Sound Futures				
Youth Music Action Zone for Birmingham	83,911	160,244	(173,240)	70,915
Music Leader West Midlands				
support service for professional development of regional music leaders	21,551	111,228	(92,937)	39,842
Birmingham City Council (BCC)				
Say Hello	2,229	-	(2,229)	-
Arts Champion Scheme	-	4,000	(4,000)	-
Arts Council England West Midlands (ACEWM)				
Arts Council England Lottery, Moonbeams	-	27,500	(1,536)	25,964
Arts Council England Lottery, Momentum Return & STATE	-	4,394	(4,394)	-
British Summer Time	8,279	1,642	(7,421)	2,500
Producer development project	19,000	-	-	19,000
Managed funds/Playground	6,100	2,050	(8,150)	-
Spoken Word	-	7,740	(7,740)	-
STAR	-	5,966	(5,966)	-
r evolve	2,496	-	(1,610)	886
culturally diverse theatre development initiative in partnership with Black Country Touring and Arena Theatre, Wolverhampton				
Bryant Trust (1)	99,650	-	(10,650)	89,000
Bryant Trust (2)	96,000	20,000	-	116,000
Roughley Trust	52,500	13,000	-	65,500
Saintbury Trust	20,000	2,000	-	22,000
Feeney Trust	6,333	4,000	-	10,333
Grimmit Trust	1,000	2,700	(200)	3,500
Monument Trust	-	84,600	(7,876)	76,724
Ideas Tap	-	10,000	-	10,000
DCMS Jerwood	-	10,000	(10,000)	-
Independent Cinema Office	-	7,740	(7,740)	-
British Film Institute	-	6,960	(6,500)	460
UFI	-	4,968	(4,968)	-
Ofcom	-	3,196	(3,196)	-
CENTRO	-	1,057	(1,057)	-
Baron Davenport	-	1,500	-	1,500
East Midlands Business Ltd	-	1,000	(1,000)	-
Tyndallwoods	-	1,000	(1,000)	-
Other sundry projects	2,421	6,107	(3,917)	4,611
Total	421,470	504,592	(367,327)	558,735

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

15. continued

Name of project	Description, nature and purpose of project
Bryant Trust (1)	Support for commissions
Bryant Trust (2)	Support for learning and participation programmes
Roughley Trust	Support for commissions & exhibition curation
Saintbury Trust	Support for commissions
Feeney Trust	Artists commissions
Monument Trust	Support for Next Generation programme of arts development activities for 14-24 yr olds
Ideas Tap	Support to mac as a partner organisation in IdeasTap to promote and facilitate youth art programmes
DCMS Jerwood	Providing a paid placement for a recent graduate at the start of their career
Independent Cinema Office	Grant from Europa Cinema programme to support screening of European films
British Film Institute	Grant from BFI Transition fund for audience development activities

16. UNRESTRICTED FUNDS (Charity and group)

	General Funds	Designated Funds	Total
	£	£	£
At 1 April 2011	545,168	114,240	659,408
Net outgoing resources before transfers	(359,400)	(1,295)	(360,695)
	<hr/>	<hr/>	<hr/>
At 31 March 2012	185,768	112,945	298,713
	<hr/>	<hr/>	<hr/>

The designated funds are to be used towards the payment of the lease premium payable to Birmingham City Council on completion of the new lease

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

17. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Fund balances at 31 March 2012 are represented by			
Fixed assets	148,568	2,185,000	2,333,568
Stock	14,160	-	14,160
Debtors	158,411	174,667	333,078
Cash at bank and in hand	377,282	2,602,922	2,980,204
Creditors	(399,708)	(2,185,000)	(2,584,708)
	<u>298,713</u>	<u>2,777,589</u>	<u>3,076,302</u>

The designated funds within unrestricted funds are represented by cash at bank.

18. FINANCIAL ACTIVITIES OF THE CHARITABLE COMPANY

The financial activities shown in the consolidated statement of financial activities includes those of the company's wholly owned subsidiary

A summary of the financial activities undertaken by the parent charitable company is set out below:

	2012 £	2011 £
Gross incoming resources	3,119,019	3,505,042
Total expenditure on charitable activities	(3,207,434)	(3,644,711)
Governance costs	<u>(31,576)</u>	<u>(38,568)</u>
Net incoming resources for the year	(119,991)	(178,237)
Total funds brought forward	<u>3,196,293</u>	<u>3,374,530</u>
Total funds carried forward	3,076,302	3,196,293
Represented by:		
Unrestricted funds	185,768	545,168
Designated funds	112,945	114,240
Restricted funds	<u>2,777,589</u>	<u>2,536,885</u>
	<u>3,076,302</u>	<u>3,196,293</u>

MIDLANDS ARTS CENTRE NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2012

19. LEASE COMMITMENTS

The charitable company has a commitment to pay a peppercorn rent expiring after more than five years on the leasehold land and buildings at Cannon Hill Park

20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

mac is committed to make a contribution towards the capital development project

At the date of signing the accounts, an amount of £2.185 million has been recognised in fixed assets as a capitalised lease premium with a corresponding creditor recorded in accruals. In addition there is an unquantified contingent liability on **mac** in respect of the building project.

The charitable company is the representative member of a VAT registration group with its subsidiary company. The parent and subsidiary are jointly and severally liable for any VAT due from the representative member.

21. TAX STATUS

As a charitable company, Midlands Arts Centre, is exempt from tax on income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen within the charitable company. The trading subsidiary has no profits which are subject to taxation under the provisions of the Income and Corporation Taxes Act 2000.

22. PENSIONS

Contributions to the Pension Scheme for Administration and Technical Staff in the Arts, a defined benefit scheme, are charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the charity. As at 31 March 2012 there were 4 (2011: 4) active members of **mac** in the Scheme. In March 2009, it was agreed to close this scheme to new members.

The scheme is an unsegregated multi-employer scheme and the charity is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Accordingly in compliance with FRS17 – Retirement Benefits, it has been accounted for as a defined contribution scheme and therefore the total pension cost is equal to the cost of the contributions payable to the scheme for the accounting period. For the year to 31 March 2012, total contributions payable were £29,804 (2011: £28,341) and the liability to the scheme at the balance sheet date was £Nil (2011: £2,369). Service contributions were calculated during the year at a rate of 19.4% Apr-Jun then increased from July to 22.5% of pensionable salaries.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

22. PENSIONS (continued)

At the last valuation date of 31 March 2011, using the projected unit method, the actuarial value of investments and future contributions was £11.5 million and the actuarial valuation of benefits earned to 31 March 2011 was £12.7 million. The scheme deficit as at the last valuation was therefore £1.2 million.

As a result of this valuation and based on the recommendations of the Actuary, future service contributions are 22.0% of pensionable salaries. In order to contribute towards reducing the above deficit based upon the valuation of the Scheme as at 31 March 2011, **mac** is required to pay deficit reduction contributions of £4,353 per month from 1 July 2011 until 30 June 2017.

23. MEMBERS

The charity is incorporated as a company limited by guarantee and, in accordance with the Memorandum of Association of the company. Every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the company contracted before he ceases to be a member and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves such amount as may be required, not exceeding one pound. The number of members at 31 March 2012 was 12 (2011: 14).

24. RELATED PARTY TRANSACTIONS (to be updated)

A number of the trustees of Midlands Arts Centre have interests in organisations which have provided support and funding to the charity in the year. The Trustees have considered the disclosure requirements of Accounting and Reporting by Charities Statement of Recommended Practice (revised 2005) and of Financial Reporting Standard number 8 Related Party Disclosures, and consider that the transactions requiring disclosure are as follows.

G Lawson, Trustee, is Managing Partner of Pinsent Masons, a firm the charity uses for the provision of legal services. Pro-bono fees donated by Pinsent Masons are disclosed in note 2 to the accounts. Invoiced fees during the year totalled £Nil (2011: £Nil).

A number of the Senior Management team also have interests in organisations which have provided services to the charity in the year.

25. ULTIMATE CONTROLLING PARTY

mac is controlled by its Board of Trustees.