

MIDLANDS ARTS CENTRE
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 March 2009

Company No: 718349
Charity No: 528979



Clement Keys
CHARTERED ACCOUNTANTS

SATURDAY



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**MIDLANDS ARTS CENTRE
REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 March 2009**

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MIDLANDS ARTS CENTRE CHAIR'S REPORT 2008/2009

As the 2008-2009 year opened, on 7th April 2008, **mac** closed its doors to enable the **mac/sampad** Building Project to begin on site. After over a decade of planning and work, in November 2006 we were finally able to announce that we had secured the bulk of the funding for our Building Project and last year I was able to tell you of the partnerships in place to bring the project, an almost £15 million scheme, to life. As I write this report **mac** is closed until Spring 2010 to allow Thomas Vale Contractors to transform the centre into an exciting, efficient and integrated building which can truly serve the needs and aspirations of an ambitious 21st century arts organisation.

So, for the first time in our almost 50 year history **mac** has been closed to the public and, mindful of our strong relationships with our audiences, participants and artists, and their hopes and expectations for **mac**, we have been working hard and determinedly to realise the monies necessary to meet our fundraising target and complete this major project. We have also used the opportunity for reflection and planning to do a vast amount of review, forward planning and relationship building to ensure that, when we open again next year, **mac** continues to provide a unique and highly valued home for contemporary, creative and accessible arts events and activities, fit for purpose and prepared for the future which the new building will help us to create.

mac's Home

mac's mission is to promote innovative creative arts activities in ways which help to establish them as an important part of people's lives. Since it was founded, **mac** has introduced over 10 million people to the arts. The Building Project will secure **mac's** future for generations to come and preserve **mac's** legacy. The Building Development programme will ensure that **mac**:

- is a national model for a truly inter-cultural, fully accessible arts centre that is in all senses diverse and inclusive
- is welcoming, exciting, and a natural place for all people to explore their own creativity, engage creatively with others, and share cultural experiences
- has a base and facilities that allow both **mac** and **sampad** to maximise the quality of the opportunities and experiences that they offer to the public, companies, artists and partners
- can develop exciting innovative policies and new ventures, in partnership with **sampad**.

The existing buildings are being re-organised, refurbished and extended to create:

- a new flat pedestrian bridge leading to a new riverside entrance
- an improved reception and ticket office
- a new media studio and an additional education studio
- larger non-gallery exhibition spaces
- extra function and meeting rooms
- full access and greater ease of movement around the centre
- 40% more space for the café and bar areas
- double the number of loos
- a building where all floors will be linked for the first time, enabling much better flow
- increased facilities for families, including better baby changing facilities, and a baby feeding area

MIDLANDS ARTS CENTRE CHAIR'S REPORT 2008/2009

The new scheme is creating a 3-storey building that will connect all of the existing buildings, and will house:

- a new, double-height gallery
- an enlarged and improved bar, café, social areas and toilets
- consolidated office space for both **mac** and **sampad**

The Building Project is making the whole of the **mac** building accessible for the first time, with a simplified layout, new lifts and up to date equipment, making the building sustainable and safe, and providing the kind of facilities our visitors, artists and staff deserve. More than ever as I see the work on site progressing apace I firmly believe that our project achieves, and surpasses, these aims.

The start of building work on site at the beginning of this reporting year is the fruition of many years of hard work by **mac** staff, past and present. The collective will of colleagues here at **mac**, at Birmingham City Council and Arts Council England, and with partners and supporters throughout the region has made this happen and allowed us to reach this point, and on behalf of **mac's** board I'd like to take this opportunity to thank everyone involved for getting us to this exciting stage.

2008-09 and **mac's** Financial Position

2008-2009 has been an exceptional year. Planning for closing down operations on our Cannon Hill site for a period of more than a year meant, sadly and regrettably, that as we closed the Cannon Hill site we had to say farewell to almost all of our staff as our resources and our Business Plan could not sustain an ongoing producing and presenting operation whilst we are off-site. The options to remain partly open had to be ruled out as all of the centre is affected by the building works.

The financial year 2008-09 began on Monday 7th April, the day after **mac** closed its doors for the Building Project. The Consolidated Statement of Financial Activities (SOFA) shows a year on year decrease in incoming resources from £5.4m to £3.1m. The main factor which has contributed to the decrease is the closure of the centre for almost all of the year and the consequent dramatic drop in arts and trading activity. Fundraising for the building project show significant income during the year and we continue to recognise the activities of Sound Futures, Music Leader West Midlands and r:evolve as restricted projects of **mac**.

The general fund income decreased from £3.5m to £1.7m because of the substantial reduction in activity during the year.

The SOFA shows two exceptional items:

a) During the year, a claim was submitted to HM Revenue & Customs in respect of VAT overpaid on exempt cultural and educational supplies in the period 1 January 1990 to 30 September 1996. £147,127 of the total claim relates to VAT and £74,488 relates to the statutory interest due on this amount;

b) Impairment charge - Birmingham City Council holds Cannon Hill Park on trust and granted a lease within the park to **mac** in 1962, originally expiring in 2037. In order for the City Council to carry out the planned building works **mac** has agreed to surrender its current 75 year lease on practical completion of the building works. This enables the City Council to occupy the site and use its partnership contractors to carry out the Building project works at cost-effective rates. The existing

MIDLANDS ARTS CENTRE NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2009

lease premium is not considered to have any future economic benefit and therefore has been fully impaired during the year. The agreement for the grant of a new 60 year lease to **mac** will take effect at the same time as the surrender of the existing lease and the lease premium in relation to this will be capitalised when this occurs to reflect future economic benefit.

The general fund balance at the end of 2007-08 was a deficit of £443,962. At the end of 2008-09 this now stands at a positive of £488,480.

Birmingham City Council and Arts Council England have continued to work very closely with us to secure a long-range business plan (to 2015). This year we have once again received significant financial investment from Birmingham City Council and Arts Council England. Through the commitment of both investors to this and future years revenue support, a business plan is in place which will take us through the Building Project and back into Cannon Hill Park. We are enormously grateful to Arts Council England and Birmingham City Council for this practical support and for their own capital investment of £6.7m and £6.2m respectively in the **mac/sampad** Building project. Arts Council's agreement to novate their funding agreement to Birmingham City Council to enable the City Council to deliver the Building project through their partnering framework has cemented the practical realisation of the project.

Our financial plan for 2008-2009 anticipated achieving a substantial surplus on the year as our activities diminished dramatically during closure. Thanks to the combined efforts of our supporters and our staff team we report a surplus on the year of £932,442, after transfers, on the general unrestricted fund.

During the year, with one nominee from each of **mac** and **mac** Trading Company, we set up **Ecomac**, an unincorporated Association with a constitution appropriate to registration as an Environmental body equipped to apply for funding from the Landfill Community Fund. Charitable trusts with long-standing relationships with **mac**, including the Bryant Trust, Roughley Trust, Saintbury Trust and the Charles Henry Foyle Trust, have made crucial contributions, and we are enormously grateful to them. Our Building Project has benefited from a unique and extremely generous donation of in-kind support from international law firm **Pinsent Masons** which is donating legal services to **mac** over the life of the **mac** and **sampad** Building Project as part of the firm's Corporate Responsibility (CR) programme 'Starfish'.

The wealth of experience, expertise, passion and energy brought to the organisation by our small off-site team, my colleague Board members, our partners **sampad**, and our "lay" advisers who, without any recompense, bring unstinting commitment to **mac** and its future is constantly inspiring and I thank them all most warmly.

Anita Bhalla
23rd July 2009

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

The Directors present their Annual Report together with the Financial Statements for the period ended 31 March 2009.

REFERENCE AND ADMINISTRATIVE INFORMATION

Charity Name	Midlands Arts Centre
Charity Registration Number	528979
Company Registration Number	718349
Registered Office	Cannon Hill Park Birmingham B12 9QH
Bankers	HSBC Plc 130 New Street Birmingham B2 4JU
Auditors	Clement Keys Chartered Accountants 39/40 Calthorpe Road Birmingham B15 1TS

REPORT OF THE CHIEF EXECUTIVE – DOROTHY WILSON

2008-2009 has been a year spent overseeing the beginnings of the transformation of “old” *mac* into the emerging “new” *mac*. To date work on site has progressed very well though the early finding of the concrete foundations of the former Cannon Hill Park lido in the place where piles were to be driven caused a period of delay which it has not been possible to recover resulting in slippage on the original reopening date. Nonetheless the project remains on budget. Our website carries regular updates on progress and images of the emerging *mac*.

The year has seen a very much reduced staff team, together with specialist consultants, working first of all to move out of the arts centre site in Cannon Hill Park and into our temporary premises in a former school in Edgbaston – a venue perfect for our needs and secured thanks to the generosity of Calthorpe Estates. The major task of sorting and archiving records began well before closure but has continued to engage us through the year as we have passed over to Birmingham City Archives the formal records of *mac* up to 1990 and sought to order all other archive materials so that they can be available as an educational resource for the future. Moving all the specialist equipment out of *mac* and into specialist and other storage was also a major task but completed ahead of time and on budget.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

REPORT OF THE CHIEF EXECUTIVE – DOROTHY WILSON (continued)

Through the year the staff and Board of **mac**, together with an Artistic Advisory group, have been working to review our Artistic policy and to connect and reconnect with our artistic associates and collaborators in planning future policy and programmes. We have commissioned specialist review and advice on our music programme and our Learning and Participation programmes and we have begun to invite artists and companies, producers and curators to become **mac** Associates developing our programme plans for reopening and beyond. We have commissioned a guest curator of our opening exhibitions.

Our partnership with **sampad** continues at the heart of developing both the Building Project and the artistic policy and strategy for the future. We are working together to describe and display our joint ambitions and our unique partnership in action. What our partnership represents is a significant departure from doing things in the way in which they have been done. It goes to the very heart of why and how an **intercultural** society might be conceived and constructed. In the past out of a perfectly understandable and well-intentioned but somewhat misguided liberalism our society has tinkered with the idea of multiculturalism as a composite, a simple arithmetic sum of self-contained cultures existing side by side in parallel worlds. But the whole point about parallel lines is that they never meet.

Both **mac** and **sampad** believe with a quiet passion that the future must lie in creative connections and crossovers:

- As major cultural providers our role is to both reflect minority and majority cultural identities and to **transcend** them.
- **mac/sampad** have an unparalleled opportunity to work together to further enable the vision and artistic aspirations of **mac/sampad**, setting a new course in an exciting new era.
- Together we will embrace the widest range of people and cultural traditions. We will generate the manifestation of a unique, adventurous and inter-cultural centre - a truly fully accessible space buzzing with people and ideas, challenges and enjoyment.
- Our joint working will centre on exploring our commitment to an intercultural approach – through developing shared Research & Development work, shared artists labs, shared Artistic Associates, and through joint commissions and co-productions. We will also share in the development of debates and critical discourse; “dangerous conversations in safe places”.

mac/sampad Building Project

With the Building Project fully underway an experienced team is in place to deliver the project. The team includes **mac** and **sampad** staff, external specialists, and our colleagues at Birmingham City Council. Partnerships are crucial to the delivery of this project: as noted above our longstanding relationship with **sampad** continues to deliver artistic collaboration and their partnership in the Building Project - a further manifestation of our joint commitment to the future. Our existing strong relationships with Birmingham City Council and Arts Council England have deepened through their investment, totalling £12.9 million, in the Building Project. Finally, our partnership with our audiences and other supporters has enabled us to reach the point where, at the time of writing, over 98% of the scheme’s funding is now in place.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

REPORT OF THE CHIEF EXECUTIVE – DOROTHY WILSON (continued)

Legal agreements

All legal agreements for the development are in place:

- a funding agreement between Arts Council England (ACE) and Birmingham City Council for their £6.7m investment.
- a funding agreement with **mac** formally sets out **mac's** responsibilities in connection with the scheme.
- Birmingham City Council holds Cannon Hill Park on trust and granted a lease within the park to **mac** in 1962. In order for the City Council to carry out the planned building works **mac** has agreed to surrender its current 75 year lease on practical completion of the Building works. This enables the City Council to occupy the site and use its partnership contractors to carry out the Building project works at cost-effective rates.
- The agreement for the grant of a new 60 year lease to **mac** will take effect at the same time as the surrender of the existing lease.
- a Development Agreement between the City Council and **mac** provides for the delivery of the project.

mac is now looking forward with confidence to a period of great excitement and possibility. Late in 2009 we take back the building from the Contractors and begin our fit-out of artistic, office and public spaces. We will complete installation of artistic commissions (see www.macartists.co.uk for full details) and then see staff moving into the completed building early in 2010 with an opening to the public scheduled for Spring 2010.

I would like to take this opportunity to thank the artists, producers and curators with whom we have worked over the last year and our many artistic associates who make all our dreams worthwhile and possible; the staff team, our advisers and consultants for their endless hard work, imagination, commitment, enthusiasm and creativity over the past twelve months. We look forward together to a bright and exciting future for **mac**

MIDLANDS ARTS CENTRE

REPORT OF THE DIRECTORS AND TRUSTEES

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

Councillor Muhammad Afzal (appointed 4 November 2008)
Viv Astling (Vice-Chair)
Anita Bhalla (Chair)
Claire Cochrane
Councillor Penny Holbrook (resigned 4 November 2008)
Emrys Jones
Greg Lowson
Mary Martin
Bharti Parmar
Roger Shannon
Shaila Sharif
John Smith
Councillor Penny Wagg
Mike Williams
Natalie Wint

Bharti Parmar, Greg Lowson, Emrys Jones and Mike Williams 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.

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 arrangement 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:

- explore, examine and enjoy the arts activities of others
- 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.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

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 strategic development work, a comprehensive risk analysis has been undertaken, with appropriate actions identified. A further risk analysis and risk management procedure is in place in respect of the *mac/sampad* Building Project. 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 Chief Executive (CEO) who is assisted by a Senior Management Team. During the year they were:

Dorothy Wilson: Chief Executive

Michelle Smith: Deputy Director

Mick Escott: Acting Finance Director

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 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 Finance Director responsibility for systems, day-to-day accounting and preparation of regular management accounts and budgets.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

Related parties

mac is formally a member of the following organisations, with which it cooperates in the pursuit of its charitable objectives:

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

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

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

Throughout the last year, whilst **mac** has been focused on delivering a major capital project rather than delivering a programme of arts, learning and participation activities, the Board of **mac** and its staff have been reviewing the strategic context for its future activities. In shaping our objectives and planning our activities, the trustees have considered the Charity Commission's guidance on public benefit, including the guidance on public benefit and fee charging.

mac is undertaking a major capital project to secure its future, replace and refurbish its facilities and plan the development and management of a substantially increased building facility. The new, expanded **mac** will enable a wide range of arts, learning and participation activities and provide 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.

Throughout the closure period **mac** continues to communicate to the general public through a periodic newsletter, through a website dedicated to its emerging artistic programmes and through an interactive website on the internet. As noted below in normal operating circumstances the arts centre relies on grants and the income from fees and charges to cover its operating costs. In setting the level of future fees, charges and concessions, the Board are giving careful consideration to the accessibility of the centre for those on low incomes.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

Regarding its future programmes and service delivery, the Board have agreed the following:

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:

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

- using its ethos to promote an adventurous, expressive, and approachable programme of arts events and activities
- developing intercultural projects which increase people's enjoyment and understanding of their own and different cultures
- encouraging and facilitating the development of people's own creativity, knowledge and skills
- providing creative projects and activities for children and young people
- increasing the numbers and range of *mac's* existing users
- deepening the impact of *mac's* work through community outreach, and regional and national touring
- offering support, opportunities and practical help to artists to develop their work and careers
- building on established partnerships with other arts organisations, community groups and agencies, and developing new ones
- working in partnership with schools, cultural organisations, agencies, public bodies and the non-arts sector to develop programmes for particular target groups
- becoming the natural hub for artists making new and contemporary work in the city, and create opportunities for artist development
- providing access to arts projects and programmes to as many people as possible including those with fewer resources and opportunities
- 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 2009 *mac* recorded a surplus of £932,442 on unrestricted operations, and the new financial year begins with a surplus of £188,480 on the unrestricted general reserve and £300,000 on the designated 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 16 onwards.

As noted above in 2008/9 the Board carried out a review of the charity's high level Strategic Objectives and prepared a new strategic plan. Progress is being monitored against this plan. The charity's wholly owned trading subsidiary, *mac* Trading Limited, did not trade through 2008-09.

Principal funding sources

Under normal operating circumstances *mac* 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 - and grants from Arts Council England and Birmingham City Council. During 2008-09, because of the closure for the *mac/sampad* Building project, there was no box office, fees or trading income.

Arts Council Funding

mac is a regularly funded client of the Arts Council England through their West Midlands regional office. ACE has also confirmed that *mac* will receive an inflationary uplift of 2.75% to the revenue grant for the year commencing April 2009.

Birmingham City Council Funding

mac has an annually reviewed Service Level Agreement (SLA) with Birmingham City Council.

Fundraising for Capital works

Fundraising towards the costs of the *mac/sampad* Building project continued during the year with income of £1.06m 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 term. The policy therefore is to maintain high levels of security by minimising credit risk, minimising interest rate risk, maximising returns and liquidity and maintaining low transaction costs.

Reserves policy

The reserves of the charity have been divided into Restricted and General funds in accordance with charity legislation. The Restricted fund represents money given to *mac* for specific capital and project work. The balance as at 31 March 2009 of £1,559,848 includes a balance of £1,192,303 in respect of the capital redevelopment project and £367,545 grants and donations received in respect of specific arts projects.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

The Trustees' policy in respect of the monies held in the General Fund is influenced by:

- Forecast of levels of income in the ensuing year
- Forecast for expenditure in the ensuing year on the basis of planned activity
- An analysis of any future needs, opportunities, contingencies or risks, the effects of which are not likely to be met from planned expenditure.

DIRECTORS' RESPONSIBILITIES

The directors 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 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 which disclose with reasonable accuracy at any time the financial position of the charitable company and the group and to 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.

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.

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved:

- 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.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

Reappointment of auditors

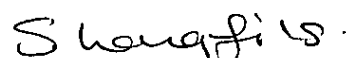
The auditors, Clement Keys, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

BY ORDER OF THE BOARD



**A Bhalla
CHAIR**

23rd July 2009



**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 period ended 31 March 2009 on pages 16 to 35. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 20 to 22.

This report is made solely to the charitable company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our 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

The directors' responsibilities 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) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with the Companies Act 2006, and give a true and fair view. We also report to you if, in our opinion, the Directors' and Trustees' report is not consistent with the financial statements, if the charitable company has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of directors' remuneration specified by law are not made.

We read the Directors' and Trustees' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE

Opinion

In our opinion:

- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with Companies Act 2006;
- the financial statements give a true and fair view, of the state of the charitable company's and the group's affairs at 31 March 2009 and the group's incoming resources and application of resources, including its income and expenditure, for the period then ended;
- the information contained in the Chair's Report, the Chief Executive's Report and the Report of the Directors and Trustees is consistent with the financial statements.



Simon Atkins BSc (Hons) ACA

Senior Statutory Auditor
for and on behalf of:

**Clement Keys
Chartered Accountants
Statutory Auditors**

**39/40 Calthorpe Road
Birmingham
B15 1TS**

23rd July 2009

MIDLANDS ARTS CENTRE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including an Income and Expenditure Account)
for the period ended 31 March 2009

					2009	2008
	Notes	Unrestricted funds £	Restricted building project £	Other restricted projects £	Total £	Total £
INCOMING RESOURCES						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grants and donations	2	739,756	1,035,280	-	1,775,036	1,819,203
<i>Activities for generating funds</i>						
Commercial trading operations	6	4,677	-	-	4,677	596,232
Investment income		10,342	24,998	-	35,340	23,802
Incoming resources from charitable activities						
Grants, donations and other income	3	729,517	-	305,367	1,034,884	1,939,437
Arts activities	4	11,684	-	-	11,684	1,005,178
Exceptional items	9	<u>221,615</u>	<u>-</u>	<u>-</u>	<u>221,615</u>	<u>-</u>
Total incoming resources		<u>1,717,591</u>	<u>1,060,278</u>	<u>305,367</u>	<u>3,083,236</u>	<u>5,383,852</u>
RESOURCES EXPENDED						
Costs of generating funds						
Commercial trading operations	6	3,635	-	-	3,635	554,844
Charitable activities						
Building project costs	14		369,730	-	369,730	
Arts activities	5 & 14	714,075	-	391,794	1,105,869	4,181,628
Exceptional items	9	-	-	1,146,706	1,146,706	439,431
Governance costs		<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Total resources expended		<u>723,710</u>	<u>369,730</u>	<u>1,538,500</u>	<u>2,631,940</u>	<u>5,181,903</u>
Net incoming/(outgoing) resources being net expenditure for the year before transfers						
		993,881	690,548	(1,233,133)	451,296	201,949
Transfers	14 & 16	<u>(61,439)</u>	<u>-</u>	<u>61,439</u>	<u>-</u>	<u>-</u>
Net incoming/(outgoing) resources being net expenditure for the year after transfers						
		932,442	690,548	(1,171,694)	451,296	201,949
Reconciliation of funds						
Fund balances brought forward		<u>(443,962)</u>	<u>501,755</u>	<u>1,539,239</u>	<u>1,597,032</u>	<u>1,395,083</u>
Fund balances carried forward		<u><u>488,480</u></u>	<u><u>1,192,303</u></u>	<u><u>367,545</u></u>	<u><u>2,048,328</u></u>	<u><u>1,597,032</u></u>

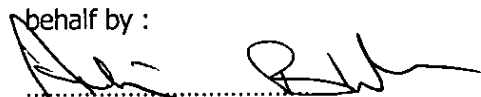
All activities of the Group are continuing and there is no difference between the reported result for the period stated above and that on a historical cost basis.
The Group has no recognised gains and losses other than those included in the Consolidated Statement of Financial Activities.
The notes on pages 20 to 35 form part of these financial statements.

**MIDLANDS ARTS CENTRE
BALANCE SHEETS
as at 31 March 2009**

	Notes	Consolidated 2009 £	2008 £	Company 2009 £	2008 £
FIXED ASSETS					
Tangible fixed assets	10	84,644	1,331,712	84,644	1,331,712
Investment in subsidiary undertaking	11	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
		<u>84,644</u>	<u>1,331,712</u>	<u>84,744</u>	<u>1,331,812</u>
CURRENT ASSETS					
Debtors	12	576,096	488,390	580,028	486,572
Cash at bank and in hand		<u>1,697,987</u>	<u>1,440,480</u>	<u>1,691,454</u>	<u>1,390,091</u>
		<u>2,274,083</u>	<u>1,928,870</u>	<u>2,271,482</u>	<u>1,876,663</u>
CREDITORS amounts falling due within one year	13	<u>(310,399)</u>	<u>(1,663,550)</u>	<u>(307,898)</u>	<u>(1,611,443)</u>
NET CURRENT ASSETS		<u>1,963,684</u>	<u>265,320</u>	<u>1,963,584</u>	<u>265,220</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,048,328</u>	<u>1,597,032</u>	<u>2,048,328</u>	<u>1,597,032</u>
Represented by:					
RESTRICTED FUNDS	14 & 15	1,559,848	2,040,994	1,559,848	2,040,994
UNRESTRICTED FUNDS					
General Funds	16	188,480	(443,962)	188,480	(443,962)
Designated Funds	16	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
		<u>2,048,328</u>	<u>1,597,032</u>	<u>2,048,328</u>	<u>1,597,032</u>

The notes on page 20 to 35 form part of these financial statements.

The financial statements were approved by the Board of Directors on 23rd July 2009 and signed on its behalf by :


A BHALLA - Chair

MIDLANDS ARTS CENTRE
CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 March 2009

	Notes	2009 £	2008 £
Reconciliation of net incoming resources to net cash flow from operating activities			
Net incoming resources		451,296	201,949
Depreciation charges		100,362	69,090
Impairment charge		1,146,706	-
Net interest		(35,340)	(23,802)
Decrease in stock		-	7,465
Increase in debtors		(87,706)	(131,336)
(Decrease)/increase in creditors		<u>(1,353,151)</u>	<u>867,081</u>
Net cash inflow from operating activities		<u>222,167</u>	<u>990,447</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		222,167	990,447
Returns on investments and servicing of finance	(a)	35,340	23,802
Capital expenditure	10	<u>-</u>	<u>(25,813)</u>
Increase in cash	(b)	<u>257,507</u>	<u>988,436</u>

The notes on pages 20 to 35 form part of these financial statements.

MIDLANDS ARTS CENTRE
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 March 2009

(a) Returns on investment and servicing of finance	2009	2008
	£	£
Interest received	35,340	23,802
Interest paid	<u>-</u>	<u>-</u>
Interest net	<u>35,340</u>	<u>23,802</u>

(b) Increase in cash	2009	2008
	£	£
Balance at beginning of period	1,440,480	452,044
Net cash inflow (note c)	<u>257,507</u>	<u>988,436</u>
Balance at end of period	<u>1,697,987</u>	<u>1,440,480</u>

(c) Reconciliation of net cash flow to movements in net funds	£
Increase in cash during year being change in net funds	257,507
Net funds at 7 April 2008	<u>1,440,480</u>
Net funds at 31 March 2009	<u>1,697,987</u>

(d) Analysis of changes in net funds	At 7 April	Cash	At 31 March
	2008	flows	2009
	£	£	£
Cash at bank	<u>1,440,480</u>	<u>257,507</u>	<u>1,697,987</u>

MIDLANDS ARTS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2009

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.

MIDLANDS ARTS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2009

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

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 during the year.

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 10 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 period ended 31 March 2009

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 as incurred 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.

l Going concern

These accounts have been prepared on a going concern basis.

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

The Trustees have prepared 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 period ended 31 March 2009

2. VOLUNTARY INCOME

	2009	2008
	£	£
Revenue grants – unrestricted		
Arts Council England	739,756	944,777
Screen West Midlands	-	11,000
	<u>739,756</u>	<u>955,777</u>
Grants and donations – restricted	2009	2008
	£	£
Capital development		
Arts Council England	67	4,082
Birmingham City Council	604,314	137,251
Bryant Trust	150,000	-
Roughley Charitable Trust	105,000	-
Edward Cadbury Charitable Trust	50,000	-
William A Cadbury Trust	50,000	-
Saintbury Trust	20,000	80,000
John Feeney Charitable Trust	7,500	-
Baron Davenports Charity	3,000	-
Bernard Piggott Trust	1,000	-
The Tanner Charitable Trust	500	-
Charles Henry Foyle Trust	-	500,000
Behrens Foundation	-	10,000
Arts & Business Award	-	19,000
C H K Charities Limited	-	7,500
Deloitte – sponsorship	-	5,000
Pinsent Masons pro-bono fees	20,598	47,397
Fund raising and gift aid donations	<u>23,301</u>	<u>53,196</u>
	<u>1,035,280</u>	<u>863,426</u>

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2009	2008
	£	£
Grants, donations and other income – unrestricted		
Birmingham City Council – Service level agreement	729,517	739,427
Other grants and donations	-	145,661
	<u>729,517</u>	<u>885,088</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES	2009	2008
	£	£
Grants, donations and other income – restricted		
General projects		
Birmingham City Council	4,500	25,941
Arts Council England	-	76,797
Screen West Midlands	-	23,745
Bryant Trust	32,000	45,000
Saintbury Trust	-	10,000
Roughley Trust	-	10,000
John Feeney Charitable Trust	-	5,000
The Custard Factory	-	2,000
Reel Access Ltd	-	1,000
New Work Trust	-	1,000
Other	(462)	-
	<u>36,038</u>	<u>200,483</u>
Sound Futures		
Youth Music – core funding	108,127	230,000
Youth Music – Early Years Cluster Programme	-	28,082
Arts Council England	12,300	-
ABO	-	27,000
BCC	-	22,000
YMaz	-	17,375
Perry Barr Extended Schools	2,000	10,000
Birmingham Music – Acid	15,000	6,667
Other	16,962	25,352
Transfers (see note 16)	-	<u>147,000</u>
	<u>154,389</u>	<u>513,476</u>
Music Leader		
Youth Music – core funding	97,000	129,400
Youth Music - other	-	30,917
Trinity	2,949	22,128
The Paul Hamlyn Foundation	-	1,423
Other	8,991	3,808
Transfers (see note 16)	-	<u>18,755</u>
	<u>108,940</u>	<u>206,431</u>
r: evolve		
Arts Council England	6,000	101,853
Transfers (see note 16)	-	<u>32,106</u>
	<u>6,000</u>	<u>133,959</u>
	<u>305,367</u>	<u>1,054,349</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

Grants, donations and other income – restricted

In previous years, *mac* has worked in close partnership with Sound Futures, Music Leader and r:evolve. These projects were accounted for within movements on creditors within the balance sheet. During 2008, the Trustees reviewed the nature of the activity undertaken and decided to treat these projects as restricted projects of *mac* and therefore a transfer was made into each restricted fund from creditors. The income and resources expended for each project are now reported within the SOFA and each fund's movement for the year is set out in note 15.

4. INCOME FROM ARTS ACTIVITIES

	2009	2008
	£	£
Cinema	6,389	156,397
Education	771	305,185
Exhibitions	-	17,867
Productions and performances	4,175	300,039
Lettings	349	168,398
Other	-	57,292
	<u>11,684</u>	<u>1,005,178</u>

5. TOTAL RESOURCES EXPENDED - UNRESTRICTED

	2009	2008
	£	£
Costs directly allocated to activities		
Staff costs, travel and subsistence	-	478,866
Cost of catering	-	45,098
Fees and expenses	-	377,145
Materials and consumables	-	52,782
Total direct costs	<u>-</u>	<u>953,891</u>
Support costs		
Temporary accommodation and overheads	300,739	-
Communication and customer services	82,150	584,055
Technical and operational services	29,714	697,257
Direction and programme co-ordination	6,597	110,886
Finance and administration	286,760	424,966
Human resources	8,115	146,470
Total support costs	<u>714,075</u>	<u>1,963,634</u>
Total costs	<u>714,075</u>	<u>2,951,709</u>

During the period to 31 March 2009, due to the temporary closure of *mac*, all support costs are attributable to future planning and organisational development.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

6. TRADING OPERATIONS

The company owns 100% of the share capital of Midlands Arts Centre Trading Limited which provides catering services to the centre. The turnover stated below includes no sales made from Midlands Arts Centre Trading Limited to the parent company Midlands Arts Centre (2008 - £36,976).

	2009	2008
	£	£
Turnover	4,677	633,208
Cost of sales	<u>(772)</u>	<u>(269,454)</u>
Gross profit	3,905	363,754
Staff costs	-	(227,509)
Facility fee (payable to) / receivable from parent	(1,138)	10,719
Other operating costs	<u>(3,811)</u>	<u>(97,000)</u>
Operating (loss) / profit before exceptional items	(1,044)	49,964
Redundancy costs	<u>-</u>	<u>(53,994)</u>
Operating deficit after exceptional items	(1,044)	(4,030)
Bank interest receivable	1,044	1,887
Other income	<u>-</u>	<u>2,143</u>
Retained in subsidiary	<u>-</u>	<u>-</u>
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>

7. CHARITABLE EXPENDITURE

	2009	2008
	£	£
Expenditure includes:		
Auditors' remuneration		
- in respect of audit (Holding company £6,000 : (2008 £6,000))	6,000	9,400
- under accrual in respect of prior year audit	6,825	3,580
- for other services (Holding company £275 : (2008 £3,860))	2,875	3,860
- for specialist VAT advice (all holding company)	12,440	-
Operating leases – land and buildings	7,500	-
Depreciation – owned assets	100,362	69,090
Impairment charge	<u>1,146,706</u>	<u>-</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

8. STAFF COSTS	2009	2008
	£	£
Wages and salaries	245,443	1,629,217
Redundancy costs	-	439,431
Social security	13,872	123,063
Pension	<u>30,791</u>	<u>72,209</u>
	<u>290,106</u>	<u>2,263,920</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.

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

The average number of employees in the year was as follows:	2009	2008
	Number	Number
Full time	9	42
Part time	<u>-</u>	<u>138</u>
	<u>9</u>	<u>180</u>

9. EXCEPTIONAL ITEMS

2009 VAT claim – incoming resources £221,615

During the year, a claim was submitted to HM Revenue & Customs in respect of VAT overpaid on exempt cultural and educational supplies in the period 1 January 1990 to 30 September 1996. £147,127 of the total claim relates to VAT and £74,488 relates to the statutory interest due on this amount. The claim has been approved and the monies due were received by *mac* in May 2009.

2009 Impairment charge – resources expended £1,146,706

Birmingham City Council holds Cannon Hill Park on trust and granted a lease within the park to *mac* in 1962, originally expiring in 2037. In order for the City Council to carry out the planned building works *mac* has agreed to surrender its current 75 year lease on practical completion of the building works. This enables the City Council to occupy the site and use its partnership contractors to carry out the Building project works at cost-effective rates.

The existing lease premium is not considered to have any future economic benefit and therefore has been fully impaired during the year. The agreement for the grant of a new 60 year lease to *mac* will take effect at the same time as the surrender of the existing lease and the lease premium in relation to this will be capitalised when this occurs to reflect future economic benefit.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

9. EXCEPTIONAL ITEMS (continued)

2008 Costs of redundancy

Due to the closure of *mac* on 6th April 2008, all employees of *mac* based at the Cannon Hill site were served with notice of redundancy on 25th January 2008. A provision was made in the accounts for redundancy and related payroll costs of £439,431. The relevant redundancy payments were made in April 2008.

10. TANGIBLE FIXED ASSETS

Consolidated and company	Leasehold land and buildings £	Short-term leasehold improvements £	Fixtures and fittings £	Computers £	Total £
Cost					
At 7 April 2008	2,368,422	223,522	527,362	60,869	3,180,175
Additions	-	-	-	-	-
Disposals	-	(223,522)	(388,631)	(42,940)	(655,093)
At 31 March 2009	<u>2,368,422</u>	<u>-</u>	<u>138,731</u>	<u>17,929</u>	<u>2,525,082</u>
Depreciation					
At 7 April 2008	1,180,762	223,024	404,599	40,078	1,848,463
Charge for year	40,954	498	47,188	11,722	100,362
Disposals	-	(223,522)	(388,631)	(42,940)	(655,093)
Impairment	<u>1,146,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,146,706</u>
At 31 March 2009	<u>2,368,422</u>	<u>-</u>	<u>63,156</u>	<u>8,860</u>	<u>2,440,438</u>
Net book values					
At 31 March 2009	<u>-</u>	<u>-</u>	<u>75,575</u>	<u>9,069</u>	<u>84,644</u>
At 7 April 2008	<u>1,187,660</u>	<u>498</u>	<u>122,763</u>	<u>20,791</u>	<u>1,331,712</u>

11. 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. The results of the subsidiary undertaking are set out in note 6.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

12. DEBTORS

	Consolidated		Company	
	2009	2008	2009	2008
	£	£	£	£
Amounts falling due within one year				
Due from subsidiary undertaking	-	-	5,155	-
Other debtors	366,124	163,076	364,901	161,258
Prepayments	89,756	47,162	89,756	47,162
Accrued income	<u>120,216</u>	<u>278,152</u>	<u>120,216</u>	<u>278,152</u>
	<u>576,096</u>	<u>488,390</u>	<u>580,028</u>	<u>486,572</u>

13. CREDITORS

	Consolidated		Company	
	2009	2008	2009	2008
	£	£	£	£
Amounts falling due within one year				
Bank overdraft	6,675	-	6,675	-
Trade creditors	73,327	148,826	73,327	134,085
Taxation and social security payable	7,442	111,672	7,442	87,229
Other creditors	50,672	128,436	50,672	61,017
Accruals	115,209	596,978	112,708	596,978
Deferred income	57,074	677,638	57,074	677,638
Due to subsidiary undertaking	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,496</u>
	<u>310,399</u>	<u>1,663,550</u>	<u>307,898</u>	<u>1,611,443</u>

Deferred income was significantly higher in 2008 due to the receipt in advance of the 2008/2009 core funding from Birmingham City Council and the Arts Council England to assist in the continued operation of the charity and the planning of future activities whilst the building project is in progress.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

14. RESTRICTED FUNDS (Charity and group)

	Capital Development £	Capital grants and donations £	Projects (note 15) £	Total £
At 7 April 2008	501,755	1,130,634	408,605	2,040,994
Incoming resources				
Incoming resources (notes 2/3)	1,035,280	-	305,367	1,340,647
Investment income	24,998	-	-	24,998
Total incoming resources	1,060,278	-	305,367	1,365,645
Resources expended				
Building project costs	(369,730)	-	-	(369,730)
Arts activities	-	(45,367)	(346,427)	(391,794)
Exceptional items	-	(1,146,706)	-	(1,146,706)
Total resources expended	(369,730)	(1,192,073)	(346,427)	(1,908,230)
Transfers	-	61,439	-	61,439
At 31 March 2009	<u>1,192,303</u>	<u>-</u>	<u>367,545</u>	<u>1,559,848</u>

As noted in the Chair's report (page 3) 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 as disclosed in note 9. 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 period ended 31 March 2009

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

	At April 2008 £	Incoming resources £	Resources expended £	At March 2009 £
Sound Futures Youth Music Action Zone for Birmingham	152,361	154,389	(235,437)	71,313
Music Leader West Midlands support service for professional development of regional music leaders	38,585	108,940	(105,549)	41,976
Birmingham City Council (BCC)				
Arts Champion Scheme <i>mac</i> is Arts Champion For Hodge Hill Constituency BCC Creative Futures project	1,500	-	-	1,500
Development of a Youth panel	-	4,500	-	4,500
Creative projects with children	6,160	-	-	6,160
Arts Council England West Midlands (ACEWM)				
Producer development project	19,000	-	-	19,000
r: evolve culturally diverse theatre development initiative In partnership with Black Country Touring and Arena Theatre, Wolverhampton	7,204	6,000	(5,441)	7,763
Bryant Trust (1)	78,000	-	-	78,000
Bryant Trust (2)	54,000	32,000	-	86,000
Roughley Trust	27,500	-	-	27,500
Saintbury Trust	15,000	-	-	15,000
Feeney Trust	7,500	-	-	7,500
Other sundry projects	1,795	(462)	-	1,333
Total	408,605	305,367	(346,427)	367,545

Name of project

Description, nature and purpose of project

Bryant Trust (1)	Support for commissions and off-site programmes
Bryant Trust (2)	Support for learning and participation programmes
Roughley Trust	Support for commissions, exhibition curation and off-site programmes
Saintbury Trust	Support for off-site programmes
Feeney Trust	Artists commissions and off-site programme

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
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16. UNRESTRICTED FUNDS (Charity and group)

	General Funds £	Designated Funds £	Total £
At 7 April 2008	(443,962)	-	(443,962)
Net incoming resources before transfers	993,881	-	993,881
Transfer to capital fund	(61,439)	-	(61,439)
Transfer to designated funds	(300,000)	300,000	-
	<hr/>	<hr/>	<hr/>
At 31 March 2009	<u>188,480</u>	<u>300,000</u>	<u>488,480</u>

The designated funds are to be used to support the re-opening plans and the future development of *mac*

17. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Fund balances at 31 March 2009 are represented by:			
Fixed assets	84,644	-	84,644
Net current assets	<u>403,836</u>	<u>1,559,848</u>	<u>1,963,684</u>
	<hr/>	<hr/>	<hr/>
	<u>488,480</u>	<u>1,559,848</u>	<u>2,048,328</u>

The designated funds within unrestricted funds are all represented by net current assets.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

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:

	2009	2008
	£	£
Gross incoming resources	3,077,515	4,792,187
Total expenditure on charitable activities	(2,620,219)	(4,584,238)
Governance costs	<u>(6,000)</u>	<u>(6,000)</u>
Net incoming resources for the year	451,296	201,949
Total funds brought forward	<u>1,597,032</u>	<u>1,395,083</u>
Total funds carried forward	<u>2,048,328</u>	<u>1,597,032</u>
Represented by:		
Unrestricted funds	188,480	(443,962)
Designated funds	300,000	-
Restricted funds	<u>1,559,848</u>	<u>2,040,994</u>
	<u>2,048,328</u>	<u>1,597,032</u>

19. LEASE COMMITMENTS

	2009	2008
	£	£
Annual commitments under operating leases for office equipment expiring within one year	-	-
within one to two years	<u>-</u>	<u>-</u>
Annual commitments under operating leases for land and buildings expiring:		
within one to two years	<u>7,500</u>	<u>-</u>

In addition to the above lease commitment in relation to temporary off-site accommodation, 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.

MIDLANDS ARTS CENTRE NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2009

20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

mac is committed to pay the lease premium in respect of the capital development project. The current anticipated amount payable for the premium is £1.985 million.

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 2009 there were 4 (2008: 19) active members of *mac* in the Scheme. In March 2009, it was agreed to close this scheme to new members.

At the last valuation date of 31 March 2007, using the projected unit method, the actuarial value of investments and future contributions was £11.2 million and the actuarial valuation of benefits earned to 31 March 2007 was £11.2 million.

The scheme is a multi-employer scheme and the charity is unable to identify its share of the underlying assets and liabilities. Accordingly in compliance with FRS17 – Retirement Benefits, it has been accounted for as a defined contributions scheme. Based on the recommendations of the Actuary, current employer contributions are 19.4% pensionable earnings.

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 2009 was 14 (2008: 14).

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2009

24. RELATED PARTY TRANSACTIONS

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:

Mrs D Wilson is the Chair of the West Midlands Council and is a member of the National Council of Arts Council England. During the year, the charity has received restricted and unrestricted grants from Arts Council England as detailed in notes 2 and 3.

One trustee, R Shannon, is a director of Swish, a company that uses **mac** for events charged at normal commercial rates.

25. ULTIMATE CONTROLLING PARTY

mac is controlled by its Board of Trustees.