

MIDLANDS ARTS CENTRE
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 March 2010

Company No: 00718349
Charity No: 528979



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**MIDLANDS ARTS CENTRE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 March 2010**

Contents	Page
<i>Chair's Report</i>	<i>1</i>
<i>Report of the Directors and Trustees</i>	<i>4</i>
<i>Report of the Independent Auditors</i>	<i>14</i>
<i>Consolidated Statement of Financial Activities</i>	<i>16</i>
<i>Balance Sheets</i>	<i>17</i>
<i>Consolidated Cash Flow Statement</i>	<i>18</i>
<i>Notes to the Financial Statements</i>	<i>20</i>

MIDLANDS ARTS CENTRE CHAIR'S REPORT 2009/2010

After over a decade of planning and work, and the backing of a wide range of supporters and partners, the **mac/sampad Building** project - finally a £15 million scheme - bursts into new life on 1 May 2010. Thomas Vale Contractors and all their partners have created an exciting, efficient and integrated building which we are confident can truly serve the needs and aspirations of an ambitious 21st century arts organisation.

Following our very first closure to the public in our almost 50 year history we are excited by the work emerging in our studios, galleries and performance spaces and eager to realise again our strong relationships with our audiences, participants and artists, and their hopes and expectations for **mac**. Throughout the past year we have continued to work determinedly to realise the monies necessary to meet our fundraising target and complete this major project and have been rewarded generously by existing and many new supporters of our campaign. We have also used every opportunity for planning and relationship building to ensure that "new" **mac** continues to provide a unique and highly valued home for contemporary, creative and accessible arts events and activities, now fit for purpose and prepared for the exciting future which the new building will help us to create. We have been growing our staff team ready for reopening and preparing them as well as the building for the reopening season.

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 well 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 project and our future programmes 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 new centre has created.

- a new flat pedestrian bridge leading to a new riverside entrance
- an improved Sales and Information facility
- 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 2009/2010

The new scheme has created a 3-storey building that connects all of the existing buildings, and houses:

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

The Building Project has made 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 the butterfly emerges from the chrysalis my colleague Board members and I firmly believe that our project achieves, even surpasses, our aims for the project

The building project is the realisation of the ambition and many years of hard work by **mac** staff, past and present. The determination and focused purpose of colleagues here at **mac**, at Birmingham City Council and Arts Council England, and with our many partners and supporters throughout the region has made this happen, and on behalf of **mac's** board I'd like to thank everyone involved for getting us to this exciting point.

2009-10 and **mac's** Financial Position

Throughout the year our focus has been on implementation of the Building Project and delivering a limited but focused programme of commissions for the new building and audience development projects. Developing systems and a new staff for the Building has been another major part of our work. The Consolidated Statement of Financial Activities (SOFA) shows a year on year increase in incoming resources from £3.1m to £3.9m. The closure of the centre for the whole of the year and the consequent absence of arts and trading activity explains the limited range of incoming resources. Fundraising for the building project shows significant income during the year and we continue to recognise the activities of Sound Futures, Music Leader West Midlands and *re:volve* as restricted projects of **mac**

The general fund income remained at similar levels, again due to the substantial reduction in activity during the closure

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 following 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 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 2008-09 was a surplus of £488,480. At the end of 2009-10 this now stands at £943,825. 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 through and beyond reopening. 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

MIDLANDS ARTS CENTRE CHAIR'S REPORT 2009/2010

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 been critical to the practical realisation of the project

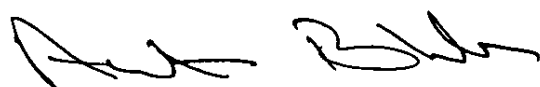
Our financial plan for 2009-2010 anticipated achieving a substantial surplus on the year as our activities diminished dramatically during closure. Thanks to the combined efforts of our supporters and our staff team we report a surplus on the year of £455,345, after transfers, on the general unrestricted fund.

Our supporters

Our supporters include charitable trusts with long-standing relationships with **mac**, including the Bryant Trust, Roughley Trust, Saintbury Trust and the Charles Henry Foyle Trust, and they have made crucial contributions to our Building Project. We are very grateful to them. **mac** has also benefited from a unique and extremely generous donation of in-kind support from international law firm **Pinsent Masons** which donates legal services to **mac** as part of the firm's Corporate Responsibility (CR) programme "Starfish". We very much appreciate the support of Thomas Vale Construction who have made possible the new landscaping of Queen's Ride adjacent to **mac** and contributed to an art commission to be realised with children and young people from the local community for the grounds of the new centre.

mac is truly fortunate to be able to call on the experience, expertise and energy brought to the organisation by our staff team and the Board and staff of our partners **sampad**. I also pay an enormous tribute to my colleague Board members and our advisers who bring vision, passion and unswerving commitment to **mac** and its future. I thank them all most sincerely.

Anita Bhalla
27 September 2010



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 2010

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
Auditors	Clement Keys Chartered Accountants Statutory Auditors 39/40 Calthorpe Road Birmingham B15 1TS

REPORT OF THE ARTISTIC DIRECTOR AND CHIEF EXECUTIVE – DOROTHY WILSON

2009-2010 has been the year of transformation and the emergence of “new” **mac**. Once construction began, work on site progressed quickly and largely to plan. Having established a reopening date of 1 May 2010 over a year ago we were delighted to be on target for that date. Through careful project and budget monitoring we have been able to deliver some enhancements to the original scheme and realise even better value for the many investors in the scheme. A regular newsletter and our website have carried updates on progress and images of the emerging **mac**, of our Building project artists’ commissions and audience development projects and the launch of artistic programmes as they have been confirmed.

The year has seen a dramatic growth in our staff team, from the 9 who began the year to a very much larger cohort as we developed programmes, structures and systems for the new arts centre. Throughout the closure period we have continued to deliver **Sound Futures**, the Birmingham Youth Music Action Zone, activities as a partnership between **mac** and Birmingham City Council working in the Hodge Hill Constituency area of the city. We have also sustained the development of **MusicLeader West Midlands**, a regional service providing access to professional development and training for music leaders at every stage of their career.

MIDLANDS ARTS CENTRE

REPORT OF THE DIRECTORS AND TRUSTEES

REPORT OF THE ARTISTIC DIRECTOR AND CHIEF EXECUTIVE – DOROTHY WILSON (continued)

Through the year the staff and Board of **mac**, together with an Artistic Advisory group including our partners **sampad**, have been developing our Artistic policy and connecting and reconnecting with our artistic collaborators in planning future programmes. We have invited artists and companies, producers and curators to become **mac** Associates developing our programme plans for reopening and beyond and worked with Simon Poulter, a guest curator, on the development of our opening exhibitions.

Our partnership with **sampad** continues at the heart of the delivery of both the Building Project and our artistic policy and strategy for the future. We agreed a Memorandum of Understanding and joint statement of our artistic partnership which now guides those areas of our respective activities where we share common interests.

mac and **sampad** are working together to create a space that is symbolic of a new way of re-imagining contemporary Birmingham and reflecting an 'inter – cultural' society. We believe that the future lies 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; and
- our joint working will centre on exploring our commitment to an intercultural approach – through developing shared R&D 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

An experienced team has worked closely to deliver the project including **mac** and **sampad** staff, external specialists, and our colleagues at Birmingham City Council. Partnerships are at the heart of the successful delivery of the project. our longstanding relationship with **sampad** continues to deliver artistic collaboration and their partnership in the Building Project; 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, corporate supporters and Trusts and Foundations has enabled us to reach the point where, at the time of writing, 99.8% of the scheme's funding is now in place.

Legal agreements

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.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

REPORT OF THE ARTISTIC DIRECTOR AND CHIEF EXECUTIVE – DOROTHY WILSON (continued)

- 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 completion of the project. This has enabled 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 as the new centre emerges from its shroud of scaffolding and hoardings. We began to take back parts of the building from the Contractors in late December 2009 and began our fit-out of artistic, office and public spaces. We have completed installation of artistic commissions and welcomed new staff arriving into the new building from early 2010.

My sincere thanks go to the artists, producers and curators with whom we have worked over the last year and to our many artistic associates who help make all our dreams a reality. Without the members of the growing staff team, our advisers and consultants and all their enthusiasm and creativity, hard work and commitment we could not be looking forward as we do, together, to a bright and exciting future for **mac** – thank you to them all.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

Councillor Muhammad Afzal
Anita Bhalla (Chair)
Emrys Jones
Mary Martin
Roger Shannon
John Smith
Mike Williams

Viv Astling (Vice-Chair)
Claire Cochrane
Greg Lowson
Bharti Parmar
Shaila Sharif
Councillor Penny Wagg
Natalie Wint

Shaila Sharif and Natalie Wint retire at the Annual General Meeting. Roger Shannon and Viv Astling 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

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.

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. The Finance & Governance Sub-Committee of the Board regularly reviews the risk register and risk management strategy. 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 Artistic Director/Chief Executive (CEO) who is assisted by a Senior Management Team.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

During the year they were:

Dorothy Wilson: Artistic Director and Chief Executive
Michelle Smith: Deputy Director
Amanda Roberts: Artistic Development Director
Mick Escott: Acting Finance Director
Nick Rogers: 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 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 cooperates 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 National Campaign for the Arts
- o Theatrical Management Association
- o 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 and facilities hire activities at **mac**. In its work **mac** collaborates with a wide range of artistic and community partners.

MIDLANDS ARTS CENTRE

REPORT OF THE DIRECTORS AND TRUSTEES

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 primarily focused on delivering a major capital project and preparing for, 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.

Regards its future programmes and service delivery, the Board has 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

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

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

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 2010 **mac** recorded a surplus of £455,345 on unrestricted operations, and the new financial year begins with a surplus of £943,825 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 16 onwards.

In March 2009 the Board approved 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 2009-10.

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 2009-10, because of the closure for the **mac/sampad** Building project, there was no box office, fees or trading income. Sound Futures and Music Leader West Midlands generated income from fees and partnership 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 2010

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

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 £1.89m 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.

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 as at 31 March 2010 of £2,430,705 includes a balance of £1,971,624 in respect of the capital redevelopment project and £459,081 grants and donations received in respect of specific arts projects.

The General unrestricted reserves figure of £943,825 including £200,000 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 an appropriate 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 potential reductions in public investments over the next few years, it is felt that this is a minimum level of reserves required. 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 and operating costs in the new building. Further the Trustees recognise that the changing economic environment carries risks to its catering and other trading profits.

MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

Designated Funds

Following discussion by the Board it was agreed to retain a designated fund of £200,000 (2009-£300,000) towards some costs awaited at the year end in respect of one-off set up costs in launching "new" **mac**, especially communications costs including website development, launch events and associated expenses, new staff training, and a range of minor capital items as a result of a considerable number of additional needs which are judged to be essential to the effective and efficient running of the new centre.

STATEMENT OF 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 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 proper 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

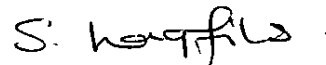
Reappointment of auditors

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**



**S Longfils
SECRETARY**

27 September 2010

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 2010 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet and Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of the company for the purposes of company law) 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.

We have been appointed auditors under the Companies Act 2006 and section 43 of the Charities Act 1993 and report to you in accordance with those Acts. 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 give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006 and the Charities Act 1993. We also report to you whether in our opinion the information given in the Annual Report is consistent with those financial statements.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the charity's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chair's Report and the Report of the Directors and Trustees. We 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 other information.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE

Basis of audit opinion

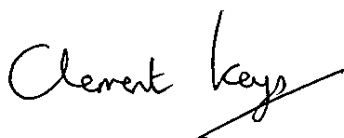
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and parent 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.

Opinion

In our opinion

- the financial statements give a true and fair view of the state of the parent charitable company's and the group's affairs as at 31 March 2010 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- 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 the Companies Act 2006 and the Charities Act 1993; and
- the information given 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**

27 September 2010

MIDLANDS ARTS CENTRE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including an Income and Expenditure Account)
for the year ended 31 March 2010

	Notes	Unrestricted funds £	Restricted building project £	Other restricted projects £	2010 Total £	2009 Total £
INCOMING RESOURCES						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grants and donations	2	772,461	1,879,553	-	2,652,014	1,775,036
<i>Activities for generating funds</i>						
Commercial trading operations	6	-	-	-	-	4,677
Investment income		3,259	13,165	-	16,424	35,340
Incoming resources from charitable activities						
Grants, donations and other income	3	825,348	-	419,520	1,244,868	1,034,884
Arts activities	4	-	-	-	-	11,684
Exceptional items	9	-	-	-	-	221,615
Total incoming resources		1,601,068	1,892,718	419,520	3,913,306	3,083,236
RESOURCES EXPENDED						
Costs of generating funds						
Commercial trading operations	6	2,870	-	-	2,870	3,635
Charitable activities						
Building project costs	14	-	1,113,397	-	1,113,397	369,730
Arts activities	5 & 14	1,136,853	-	327,984	1,464,837	1,105,869
Exceptional items	9	-	-	-	-	1,146,706
Governance costs		6,000	-	-	6,000	6,000
Total resources expended		1,145,723	1,113,397	327,984	2,587,104	2,631,940
Net incoming resources being net income for the year		455,345	779,321	91,536	1,326,202	451,296
Reconciliation of funds						
Fund balances brought forward		<u>488,480</u>	<u>1,192,303</u>	<u>367,545</u>	<u>2,048,328</u>	<u>1,597,032</u>
Fund balances carried forward		<u>943,825</u>	<u>1,971,624</u>	<u>459,081</u>	<u>3,374,530</u>	<u>2,048,328</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 20 to 35 form part of these financial statements

MIDLANDS ARTS CENTRE

Company number 00718349

BALANCE SHEETS**as at 31 March 2010**

	Notes	Consolidated		Company	
		2010	2009	2010	2009
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	10	70,450	84,644	70,450	84,644
Investment in subsidiary undertaking	11	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
		<u>70,450</u>	<u>84,644</u>	<u>70,550</u>	<u>84,744</u>
CURRENT ASSETS					
Debtors	12	1,329,326	576,096	1,333,045	580,028
Cash at bank and in hand		<u>3,056,487</u>	<u>1,697,987</u>	<u>3,049,668</u>	<u>1,691,454</u>
		<u>4,385,813</u>	<u>2,274,083</u>	<u>4,382,713</u>	<u>2,271,482</u>
CREDITORS amounts falling due within one year	13	<u>(1,081,733)</u>	<u>(310,399)</u>	<u>(1,078,773)</u>	<u>(307,898)</u>
NET CURRENT ASSETS		<u>3,304,080</u>	<u>1,963,684</u>	<u>3,303,980</u>	<u>1,963,584</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,374,530</u>	<u>2,048,328</u>	<u>3,374,530</u>	<u>2,048,328</u>
Represented by:					
RESTRICTED FUNDS	14 & 15	2,430,705	1,559,848	2,430,705	1,559,848
UNRESTRICTED FUNDS					
General Funds	16	743,825	188,480	743,825	188,480
Designated Funds	16	<u>200,000</u>	<u>300,000</u>	<u>200,000</u>	<u>300,000</u>
		<u>3,374,530</u>	<u>2,048,328</u>	<u>3,374,530</u>	<u>2,048,328</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 27 September 2010 and signed on its behalf by :


A BHALLA - Chair

MIDLANDS ARTS CENTRE
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2010

	Notes	2010 £	2009 £
Reconciliation of net incoming resources to net cash flow from operating activities			
Net incoming resources		1,326,202	451,296
Depreciation charges		23,648	100,362
Loss on disposal of fixed assets		8,660	-
Impairment charge		-	1,146,706
Net interest		(16,424)	(35,340)
Increase in debtors		(753,230)	(87,706)
Increase/(decrease) in creditors		<u>771,334</u>	<u>(1,353,151)</u>
Net cash inflow from operating activities		<u>1,360,190</u>	<u>222,167</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		1,360,190	222,167
Returns on investments and servicing of finance	(a)	16,424	35,340
Capital expenditure	10	<u>(18,114)</u>	<u>-</u>
Increase in cash	(b)	<u>1,358,500</u>	<u>257,507</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 year ended 31 March 2010

<u>(a) Returns on investment and servicing of finance</u>	2010	2009
	£	£
Interest received	16,294	35,340
Interest paid	<u>-</u>	<u>-</u>
Interest net	<u>16,294</u>	<u>35,340</u>

<u>(b) Increase in cash</u>	2010	2009
	£	£
Balance at beginning of period	1,697,987	1,440,480
Net cash inflow (note c)	<u>1,358,500</u>	<u>257,507</u>
Balance at end of period	<u>3,056,487</u>	<u>1,697,987</u>

<u>(c) Reconciliation of net cash flow to movements in net funds</u>	£
Increase in cash during year being change in net funds	1,358,500
Net funds at 1 April 2009	<u>1,697,987</u>
Net funds at 31 March 2010	<u>3,056,487</u>

<u>(d) Analysis of changes in net funds</u>	At 1 April	Cash	At 31 March
	2009	flows	2010
	£	£	£
Cash at bank	<u>1,697,987</u>	<u>1,358,500</u>	<u>3,056,487</u>

MIDLANDS ARTS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

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 year ended 31 March 2010

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.

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 15 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 2010

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.

Subsequent to the year end, in respect of new employees, the company has set up a defined contribution scheme with Standard Life.

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 year ended 31 March 2010

2. VOLUNTARY INCOME

	2010	2009
	£	£
Revenue grants – unrestricted		
Arts Council England	<u>772,461</u>	<u>739,756</u>
Grants and donations – restricted	2010	2009
	£	£
Capital development		
Arts Council England	33,913	67
Birmingham City Council	1,084,294	604,314
Charles Henry Foyle Trust	300,000	-
Garfield Weston Foundation	200,000	-
Anonymous donation	100,000	-
Saintbury Trust	40,000	20,000
Behrens Foundation	10,000	-
John Feeney Charitable Trust	7,500	7,500
Douglas Trust	5,000	-
Grimmitt Trust	5,000	-
Rowlands Trust	5,000	-
Cook & Wolsteholme Charitable Trust	3,000	-
Birmingham Common Good Trust	2,000	-
The Ratcliffe Foundation	2,000	-
Taylor 1984 Trust	2,000	-
Oakley Charitable Trust	1,000	-
Owen Family Trust	1,000	-
Dickens Foundation	500	-
Bryant Trust	-	150,000
Roughley Charitable Trust	-	105,000
Edward Cadbury Charitable Trust	-	50,000
William A Cadbury Trust	-	50,000
Baron Davenports Charity	-	3,000
Bernard Piggott Trust	-	1,000
The Tanner Charitable Trust	-	500
Birmingham Assay Office – sponsorship	15,000	-
Pinsent Masons pro-bono fees	29,103	20,598
Fund raising and gift aid donations	<u>33,243</u>	<u>23,301</u>
	<u>1,879,553</u>	<u>1,035,280</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES	2010	2009
	£	£
Grants, donations and other income – unrestricted		
Birmingham City Council – Service level agreement	756,579	729,517
Release of insurance proceeds	31,882	-
Other	<u>36,887</u>	<u>-</u>
	<u>825,348</u>	<u>729,517</u>
Grants, donations and other income – restricted		
General projects		
Birmingham City Council	4,500	4,500
Arts Council England	40,424	-
Bryant Trust	20,000	32,000
Roughley Trust	13,000	-
Other	15,346	(462)
	<u>93,270</u>	<u>36,038</u>
Sound Futures		
Youth Music	141,618	108,127
Birmingham City Council	20,000	-
Youth Music Mentors	18,500	-
Partner income	21,852	-
Project management fees	18,625	-
Arts Council England	-	12,300
Perry Barr Extended Schools	-	2,000
Birmingham Music – Acid	-	15,000
Other	10	16,962
	<u>220,605</u>	<u>154,389</u>
Music Leader		
Youth Music – core funding	102,000	97,000
Arts Council England	2,000	-
Trinity	-	2,949
Other	1,645	8,991
	<u>105,645</u>	<u>108,940</u>
r: evolve		
Arts Council England	-	6,000
	<u>-</u>	<u>6,000</u>

419,520 305,367

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

4. INCOME FROM ARTS ACTIVITIES

	2010	2009
	£	£
Cinema	-	6,389
Education	-	771
Exhibitions	-	-
Productions and performances	-	4,175
Lettings	-	349
Other	-	-
	<u>-</u>	<u>11,684</u>

5. TOTAL RESOURCES EXPENDED - UNRESTRICTED

	2010	2009
	£	£
Costs directly allocated to activities		
Staff costs, travel and subsistence	-	-
Cost of catering	-	-
Fees and expenses	-	-
Materials and consumables	-	-
Total direct costs	<u>-</u>	<u>-</u>
Support costs		
Temporary accommodation and overheads	581,760	300,739
Communication and customer services	257,085	82,150
Technical and operational services	56,057	29,714
Direction and programme co-ordination	1,940	6,597
Finance and administration	220,886	286,760
Human resources	<u>19,125</u>	<u>8,115</u>
Total support costs	<u>1,136,853</u>	<u>714,075</u>
Total costs	<u>1,136,853</u>	<u>714,075</u>

During the year to 31 March 2010, 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 year ended 31 March 2010

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 (2009 - £nil)

	2010	2009
	£	£
Turnover	-	4,677
Cost of sales	<u>-</u>	<u>(772)</u>
Gross profit	-	3,905
Staff costs	-	-
Facility fee receivable from/(payable to) parent	2,870	(1,138)
Other operating costs	<u>(2,870)</u>	<u>(3,811)</u>
Operating loss	-	(1,044)
Bank interest receivable	-	1,044
Other income	<u>-</u>	<u>-</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

	2010	2009
	£	£
Expenditure includes:		
Auditors' remuneration		
- in respect of audit (Holding company £6,000 : (2009 £6,000))	6,000	6,000
- under accrual in respect of prior year audit	-	6,825
- for other services (Holding company £275 : (2009 £375))	2,775	2,875
- for specialist VAT advice (all holding company)	-	12,440
Operating leases – land and buildings	7,397	7,500
Depreciation – owned assets	23,648	100,362
Loss on disposal of fixed assets	8,660	-
Impairment charge	<u>-</u>	<u>1,146,706</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

8. STAFF COSTS

	2010	2009
	£	£
Wages and salaries	472,490	245,443
Social security	40,117	13,872
Pension	<u>32,080</u>	<u>30,791</u>
	<u>544,687</u>	<u>290,106</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. Subsequent to the year end, in respect of new employees, the company has set up 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.

	2010	2009
	Number	Number
Business and administration staff	6	9
Arts team	<u>12</u>	<u>-</u>
	<u>18</u>	<u>9</u>

9. EXCEPTIONAL ITEMS

2009 VAT claim – incoming resources £221,615

During the prior 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 year ended 31 March 2010

10. TANGIBLE FIXED ASSETS

Consolidated and company	Leasehold land and buildings £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 April 2009	2,368,422	138,731	17,929	2,525,082
Additions	-	-	18,114	18,114
Disposals	-	(32,212)	-	(32,212)
At 31 March 2010	2,368,422	106,519	36,043	2,510,984
Depreciation				
At 1 April 2009	2,368,442	63,156	8,860	2,440,438
Charge for year	-	15,846	7,802	23,648
Disposals	-	(23,552)	-	(23,552)
At 31 March 2010	2,368,422	55,450	16,662	2,440,534
Net book values				
At 31 March 2010	-	51,069	19,381	70,450
At 31 March 2009	-	75,575	9,069	84,644

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 year ended 31 March 2010

12. DEBTORS

	Consolidated		Company	
	2010	2009	2010	2009
	£	£	£	£
Amounts falling due within one year				
Due from subsidiary undertaking	-	-	3,719	5,155
Other debtors	627,117	366,124	627,117	364,901
Prepayments	89,198	89,756	89,198	89,756
Accrued income	<u>613,011</u>	<u>120,216</u>	<u>613,011</u>	<u>120,216</u>
	<u>1,329,326</u>	<u>576,096</u>	<u>1,333,045</u>	<u>580,028</u>

13. CREDITORS

	Consolidated		Company	
	2010	2009	2010	2009
	£	£	£	£
Amounts falling due within one year				
Bank overdraft	8,317	6,675	8,317	6,675
Trade creditors	292,256	73,327	292,256	73,327
Taxation and social security payable	22,557	7,442	22,557	7,442
Other creditors	52,748	50,672	52,748	50,672
Accruals	298,477	115,209	295,477	112,708
Deferred income	407,378	57,074	407,378	57,074
	<u>1,081,733</u>	<u>310,399</u>	<u>1,078,733</u>	<u>307,898</u>

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

14. RESTRICTED FUNDS (Charity and group)

	Capital Development £	Projects (note 15) £	Total £
At 1 April 2009	1,192,303	367,545	1,559,848
Incoming resources			
Incoming resources (notes 2/3)	1,879,553	419,520	2,299,073
Investment income	<u>13,165</u>	<u>-</u>	<u>13,165</u>
Total incoming resources	1,892,718	419,520	2,312,238
Resources expended			
Building project costs	(1,113,397)	-	(1,113,397)
Arts activities	<u>-</u>	<u>(327,984)</u>	<u>(327,984)</u>
Total resources expended	(1,113,397)	(327,984)	(1,441,381)
Transfers	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2010	<u>1,971,624</u>	<u>459,081</u>	<u>2,430,705</u>

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 year ended 31 March 2010

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

	1 April 2009 £	Incoming resources £	Resources expended £	31 March 2010 £
Sound Futures				
Youth Music Action Zone for Birmingham	71,313	220,605	(192,615)	99,303
Music Leader West Midlands				
support service for professional development of regional music leaders	41,976	105,645	(111,925)	35,696
Birmingham City Council (BCC)				
Arts Champion Scheme				
mac is Arts Champion For Hodge Hill Constituency	1,500	4,000	(1,900)	3,600
BCC Creative Futures project	4,500	500	(5,000)	-
Development of a Youth panel	6,160	-	(6,160)	-
Creative projects with children				
Arts Council England West Midlands (ACEWM)				
Producer development project	19,000	-	-	19,000
Arts Council England Lottery	-	-	-	-
Momentum: Return & STATE	-	21,974	-	21,974
r evolve	7,763	-	(727)	7,036
culturally diverse theatre development initiative in partnership with Black Country Touring and Arena Theatre, Wolverhampton				
Managed funds/playground	-	18,450	-	18,450
Bryant Trust (1)	78,000	10,000	-	88,000
Bryant Trust (2)	86,000	10,000	-	96,000
Roughley Trust	27,500	13,000	-	40,500
Saintbury Trust	15,000	-	-	15,000
Feeney Trust	7,500	-	-	7,500
Other sundry projects	1,333	15,346	(9,657)	7,022
Total	367,545	419,520	(327,984)	459,081

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
for the year ended 31 March 2010

16. UNRESTRICTED FUNDS (Charity and group)

	General Funds £	Designated Funds £	Total £
At 1 April 2009	188,480	300,000	488,480
Net incoming resources before transfers	455,345	-	455,345
Transfer from designated funds	100,000	(100,000)	-
	<hr/>	<hr/>	<hr/>
At 31 March 2010	743,825	200,000	943,825
	<hr/>	<hr/>	<hr/>

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 2010 are represented by:			
Fixed assets	70,450	-	70,450
Net current assets	873,375	2,430,705	3,304,080
	<hr/>	<hr/>	<hr/>
	943,825	2,430,705	3,374,530
	<hr/>	<hr/>	<hr/>

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

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

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.

	2010 £	2009 £
Gross incoming resources	3,922,702	3,077,515
Total expenditure on charitable activities	(2,590,500)	(2,620,219)
Governance costs	<u>(6,000)</u>	<u>(6,000)</u>
Net incoming resources for the year	1,326,202	451,296
Total funds brought forward	<u>2,048,328</u>	<u>1,597,032</u>
Total funds carried forward	<u>3,374,530</u>	<u>2,048,328</u>
Represented by:		
Unrestricted funds	743,825	188,480
Designated funds	200,000	300,000
Restricted funds	<u>2,430,705</u>	<u>1,559,848</u>
	<u>3,374,530</u>	<u>2,048,328</u>

19. LEASE COMMITMENTS

	2010 £	2009 £
Annual commitments under operating leases for land and buildings expiring:		
within one to two years	<u>-</u>	<u>7,500</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 year ended 31 March 2010

20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

mac is committed to make a contribution towards the capital development project. The current anticipated amount payable 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 2010 there were 4 (2009: 4) 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 2010 was 14 (2009: 14).

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

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 was the Chair of the West Midlands Council and was a member of the National Council of Arts Council England until November 2009. During the year, the charity has received restricted and unrestricted grants from Arts Council England as detailed in notes 2 and 3.

One trustee, G Lowson, 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 £7,514.

25. ULTIMATE CONTROLLING PARTY

mac is controlled by its Board of Trustees