

**MIDLANDS ARTS CENTRE**  
(A company limited by guarantee)

(Trading as mac Birmingham)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2017**

Company No: 00718349

Charity No: 528979

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MIDLANDS ARTS CENTRE  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 March 2017

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## MIDLANDS ARTS CENTRE REPORT OF THE TRUSTEES 2016/2017

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The Trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2017 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

### Chair's Report

2016/17 was a year of new beginnings for mac Birmingham as we welcomed a new Chief Executive & Artistic Director, Deborah Kermode, and myself in the first full year as Chair.

In turn mac celebrated its 55th year with record numbers of over 1.2 million visits made to mac by people of all ages and backgrounds, which only seeks to demonstrate the enormous affection and importance mac continues to play in people's lives.

Throughout the year, mac continued to build on its national reputation as one of the country's pre-eminent arts centres as well as one of the busiest, attracting hugely diverse audiences. This report offers an insight into the richness of the artistic opportunity we are able to make available to everyone in delivering our aims of "arts for all". There were 2,523 events with audiences in excess of 100,000, ticket sales were £1.07m and average attendance for the year was 51% (averaged over film at 27%, performances at 60% and the learning programme at 66% of capacity). And mac's un-ticketed work adds 25,000 further engagements across free to access events such as Disability Access Day, Black History Month, Celebrating Sanctuary and Refugee Week – very popular with visitors.

mac is a Birmingham brand impacting on generations of city residents where it is a cherished resource. Building on this history, the future ambition of this charity is to continue as a critical part in the cultural life of Birmingham. We have seen growing local partnerships in Edgbaston as the area continues to develop and blossom around Cannon Hill Park, Edgbaston cricket ground and mac. As Birmingham and the wider West Midlands enjoy a unified national presence, mac - the Midlands Arts Centre - is well placed to contribute to the region's arts and creative industries young, digital and diverse talent base. Foreseeing a different model of funding and partnership, mac is a founder member and investor in Culture Central, a collective voice and development agency for culture and the creative industries working to bring opportunities and resource to Birmingham and the wider region.

The success of mac is only possible through the continued support of many notable partners, most significantly Arts Council of England, People's Postcode Lottery and Birmingham City Council. We are pleased to have the support of a number of national foundations, such as Youth Music, investing in this important work. Our project, *mac makes music*, received the Excellence in Primary/Early Years Award at the Music Teacher Award for Excellence 2017 for *Tune into Listening* - a toolkit which explores the use of

## MIDLANDS ARTS CENTRE REPORT OF THE TRUSTEES 2016/2017

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recorded music in early years' settings. mac also received substantial financial support from the Esmée Fairbairn Foundation to establish a wellbeing volunteer network on behalf of the city to encourage disabled young people to engage and lead on cultural activities.

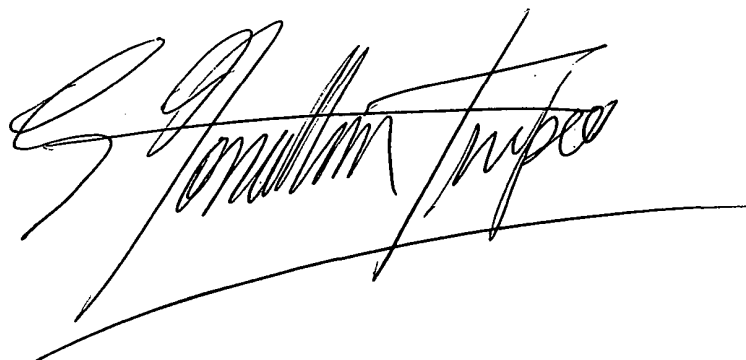
Like many organisations mac faces significant financial constraints which will continue for some time into the future, so it is reassuring to know that the Trustees can rely on the determination, commitment and continued flexibility of the management and staff of mac to provide an outstanding programme of arts and learning whilst meeting the financial challenges. Our focus on the delivery of excellence in the experiences it provides audiences, remains the best strategy to ensure it continues to be relevant. Our excellent trading offer continues to expand with flexible and enjoyable retail services that integrate and support our arts programmes. Therefore we are pleased to meet our budgets and to secure another year of successful trading.

We run the centre as economically and efficiently as possible and in 2016/17 introduced new technologies such as increased LED lighting which have contributed to cost saving, reducing energy consumption, lessening risk and vulnerabilities. Concerned to make our venue more user-friendly and more environmentally sustainable we have embarked on a programme of capital enhancement and asset replacement – very necessary given the daily pressures of our high footfall.

It is heartening to note that our audiences increased significantly last year, which is testimony to the skill of our artistic teams, the partnerships we have developed and the increasing focus on excellent customer care of all the staff at mac. I would lastly like to recognise the ongoing efforts of my colleague Board members of mac, whose outstanding efforts and commitment, continue to ensure that mac delivers a professional and valued service for everyone.

Jonnie Turpie - MBE  
Chair of the Trustees

26 September 2017

A large, stylized handwritten signature in black ink, which appears to read 'Jonnie Turpie', is written over a horizontal line.

## MIDLANDS ARTS CENTRE OUR PURPOSES AND ACTIVITIES

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

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

The Board of mac Birmingham and its staff have continued to hold its business plan under review honing future plans in the light of operational experience, future public investment prospects and the strategic context for its future activities.

### Public Benefit

In shaping and reviewing its objectives and planning its activities, the Trustees have considered the Charity Commission's guidance on public benefit, including the guidance on public benefit and fee charging.

mac's venue continues to enable an increasingly wide range of arts, learning and participation activities and provides a base for substantial outreach activities through touring and 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 region, with an annual programme of arts events and learning activities. These activities are designed to meet the interests of all, and embrace specific strands for children, young people, families, adults and people with disabilities. mac places a firm emphasis on equality of access, diversity of practice and of audiences/participants and the celebration of intercultural activities in a youthful and diverse city.

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

mac's ethos is based on a set of values which inform the whole of its activities, these include:

- artistically experimental activities that strive to engage with their audiences;
- celebrating diversity and strengthening social cohesion;
- offering equal opportunities to everyone;
- increasing the accessibility of the arts and respecting their complexity;
- introducing visitors to new challenges and innovations;
- helping artists to find their unique voice and to forge productive partnerships with other artists and people; and
- 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;

## MIDLANDS ARTS CENTRE

### OUR PURPOSES AND ACTIVITIES

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- encouraging and facilitating the development of people's own creativity, knowledge and skills;
- providing creative projects and activities for children and young people;
- reaching new users and deepening the engagement of existing users;
- deepening the impact of mac's work through community outreach, 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;
- creating the natural hub for artists making new and contemporary work and creating opportunities for artist development;
- providing access to arts projects to as many people as possible including those with fewer resources and opportunities; and
- ensuring the highest possible quality of work.

## MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

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mac Birmingham's programme demonstrates a continuing commitment to commissioning art work, supporting artists at critical stages of their careers and presenting to audiences a broad range of local, national and international practice, media and perspectives.

### Visual Arts

mac stages between eight to twelve professional temporary exhibitions a year covering a range of areas from subjects that explore politics and identity to focus on artistic practice such as craft and photography. Our visual arts programmes are all free to visitors and actively demonstrate our commitment to access. Exhibitions in 2016/17 included:

Shock and Awe, by Birmingham based artist Barbara Walker, an incredibly popular show for its central message around the recognition of the contribution of Black servicemen and women to British war efforts. A work from the exhibition has since been acquired by the Herbert Art Gallery & Museum as part of their Conflict, Peace and Reconciliation collection.

Off Message by Peter Kennard, a major retrospective by this internationally renowned artist's fifty year career, with sell-out public talks. In conjunction we produced Lessons in Physics, a major conference in partnership with the University of Derby, examining the radical experimental use of materials by artists, attended by students, international artists and the public.

New Art West Midlands 2017 showcased some of the most exciting emerging graduate artists in the region. mac launched the NAWM season with a busy reception and an award ceremony acknowledging the talent of the 31 artists selected. Other partners included Birmingham Museum & Art Gallery, Worcester City Art Gallery and Wolverhampton Art Gallery.

Through the Door in partnership with the Koestler Trust, an exhibition of art works by young offenders, and curated by young people under the supervision of Walsall Youth Justice Service. So popular was the exhibition that we extended it by two weeks to accommodate the public's interest in the issues raised.

made at mac showcased the work created by mac course participants and the richness of their learning experience. The exhibitions demonstrate the creative talents of both the Artist Tutors and their students from the 200+ creative courses on offer.

In 2017 we established our new People's Postcode Lottery Community Gallery, a dedicated space that seeks to profile the participatory experiences and art works made by a variety of communities we collaborate with across the city.

### Performing Arts

Highlights from our rich programme give you a flavour of the diversity of work presented and include:

Christmas production of Raymond Briggs's The Bear, by award winning theatre company Pins and Needles, attracted sell-out capacity audiences targeted at early years and families.

The Boy With Tape On His Face, part of our strong contemporary programme with sell-out appealing to a commercial audience through artist's fame on You Tube and via America's Got Talent.

## MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

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Sell-out comedy included Eddie Izzard, Sarah Millican, Bridget Christie, Julia Fordham, Christian O'Connell, Katy Brand, Shazia Mirza and Nish Kumar.

mac worked with the UK's foremost visually-impaired theatre company Extant on their latest production *The Chairs* as part of a three-year engagement with mac, Stratford Circus and The Lowry, and focused on engaging and empowering visually impaired audiences and working more closely with visually impaired artists.

Women & Theatre presented *Theatres of Conscience*, a new Heritage Lottery Funded theatre and heritage project exploring the experiences of Conscientious Objectors during WWI, bringing adults from across the city together with theatre professionals to produce a new performance piece which depicted a community tribunal.

Artist Trevor Pitt presented *Yarning*, a verbatim show developed in association with Craftspace drawing on work with knitters, spinners and sheep farmers to support a visual artist deliver a heritage-based performing arts production. It was a sell-out production with a national tour.

Following a sell-out run at Edinburgh Festival Fringe mac presented an off-site special - a gritty production of *Living Welsh's Trainspotting*, presented by King's Head Theatre and In Your Face Theatre Company. Performed in a disused warehouse in Digbeth, it sold to 97% capacity, and, of the nearly 2,000 attendees, 63% were first-time bookers at mac.

### Cinema

mac's diverse Cinema programmes continued to offer an eclectic mix of new releases and art-house films as well as special live screenings. Highlights in 2016/17 included:

Specialist screenings with films related to festival partners that included SHOUT Festival; Flatpack; London Indian Film Festival; Behind the Curtain Festival; Screening Rights Festival in partnership with the University of Birmingham; Roald Dahl Centenary Season.

Black Star Season – The BFI funded season of black films featuring films that celebrated black stars on screen and targeting diverse audiences through comedy, drama, retrospectives, music and discussions. This included *Black Britain on Film* – a screening of archival footage from Media Archive of Central England of the Black British experience from the 60s to the 80s.

Flatpack Film Festival marked its tenth anniversary with the premier of Don Cheadle's *Miles Ahead*, to a sell-out audience and in partnership with *Come The Revolution*, with a special performance from Birmingham Jazz musician Soweto Kinch.



## MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

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### Artist Development & Commissioning

mac has always been concerned with its responsibilities to the ecology of artists, to grow, reach and provide space, opportunity and advice. Highlighted support in 2016/17 included:

Autin Dance Theatre for their new work *A Positive Life*, an immersive and interactive dance production aimed at educating teenagers on sexually transmitted disease.

Demi Nandhra presented *Life Is No Laughing Matter*, a new comedy show about depression, in advance of a tour in 2017.

Shock and Awe, Barbara Walker, created fifteen new drawings for large-scale exhibition.

Common Culture – large-scale multi-screen digital exhibition.

Elmer, Riverside Theatre Company, Early Years production – Easter production & national tour.

Antonia Beck and Lucy Nicholls created a performance and a talks' season dedicated to issues of death and dying.

### Learning and Participation

Learning and Participation programmes at mac present a wide range of opportunities to learn practical arts skills in our well-equipped studios led by professional Artist Tutors. Learning and Participation projects are developed in a range of formats, as well as off-site opportunities:

- Regular courses and workshops – where possible embracing ladders of opportunity for professional development;
- Tasters and drop-in activity;
- Special projects, including children and their families, young people, adults and intergenerational work;
- Long-term sustainable outreach projects, with a particular commitment to our role as arts champions neighbours (Hall Green & Edgbaston) and communities in Aston;
- Projects and brokerage with schools and colleges including adult education;
- Community and youth based productions, projects and exhibitions/interventions; and
- The interpretation of theatre, gallery, media and cinema programmes – including talks (podcasts and live streaming), symposia, events and workshops/courses.

### mac makes music

mac makes music provides innovative music making opportunities for children and young people in challenging circumstances. We work with Pupil Referral Units, Charities, Hospitals, Primary Schools, Children's Services and Special Schools to influence sustained music making activity for those with limited access to music provision.

## MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

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mac is a strategic partner of Youth Music working towards creating a musically inclusive England, where every child can access music-making opportunities, regardless of their circumstances. We champion innovation in music making approaches, support workforce development and advocate for equality in music education in partnership with Music Education Hubs in Birmingham, Coventry, Sandwell, Solihull and Worcestershire.

mac makes music won a national award for Excellence in Primary/Early Years Award at the 2017 Music Teacher Awards, for the EY research project resulting Tune into Listening; online resource, which offers ideas for teachers and music leaders.

mac makes music is developing a new partnership project with Birmingham Music Service and Quench Arts to deliver Reaching Out which will see the delivery of 3 Music ensembles for young people from diverse and newly arrived communities. Reaching Out will train six musicians from similar ethnic backgrounds who will then work alongside mac associate artist, Sid Peacock, to deliver the young people ensembles.

mac makes music highlights:

- In January 2017 we launched Out Loud, a choir for disabled young people, involving 112 young people from 5 special schools, resulting in a performance at mac of 11 songs, 6 of which were written by the young people;
- 161 children and young people achieved Arts Award accreditation through taking part in mac makes music projects, including: 19 Bronze, 56 Explore, 86 Discover;
- Switch, mac's in-house inclusive band were selected to perform at Music for Youth's National Festival, 'New Music Stage' to showcase their original repertoire; and
- Expansion of our music making programme for those who have been excluded from mainstream school, delivering a total of 465 sessions to 236 children and young people attending 3 primary and 7 secondary pupil referral units.

### Next Generation

mac's Next Gen offer is varied and offers an entry point and catalyst for young people and emerging artists to engage their creative capabilities in a supported environment, and to develop skills through exposure and training in a variety of areas. Highlights for 2016/17 include:

- A new season called 'The Resilience Season' which focused on the lives and stories of young people from across Birmingham and included a range of professional companies including 20 Stories High, Highly Sprung, and The Bellows Collective, workshops looking at mental health and creative development; and
- Inspiring A New Generation as part of our wider commitment to Black History Month which was produced by Birmingham Blackstory Partnership, a new consortium of experienced practitioners which includes: Inspiring A New Generation; Strawberry Words; Paulette Francis-Green and mac.

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mac was invited to be a part of a Selfridges' Shakespeare Refashioned Festival, we commissioned Autin Dance Theatre to develop a production for young people - A Positive Life.

We partnered up with the 3<sup>rd</sup> BFI film academy supporting 20 aspiring young film makers to develop their film making potential and to create brand new shorts films, including a live action/animation short and a documentary about getting into the film industry.

The BE Festival, as part of the Next Gen programme, supported 26 young people from across Birmingham who don't speak English as a first language. The participants worked collaboratively with two European practitioners and developed a public performance.

mac is focused on developing longer term partnerships with young artists and practitioners and the Next Gen Associates programme is a way of securing that ongoing relationship. Associates are supported by mac to develop and shape the Next Gen programme by attending three programme reviews a year, representing mac at Board meetings and other signature events, as well as supporting the monitoring and evaluation of key projects and programmes.

### Communications and Digital Engagement

With a footfall in the centre now over 1.2 million visitors per year, a highly active social media following on Twitter and Facebook, consistently developing sales rates via our website and a very high pick-up rate for print, mac continues to develop awareness of its presence and its offer with participants and audiences.

Our website has enabled mac to reach:

- Steady retention of users and page views between 15/16 and 16/17;
- 57% of all tickets sold online (+7%);
- 27% of online transactions include a donation; (46% of transactions in person/phone);
- Improved navigation to non-ticketed activity, outreach work in communities and through partnerships and collaborations;
- An increase of website users on phone/mobile devices of 6.5% (now 47.5%) with Desktop accounting for 38% of users and Tablets 14.5%;
- Twitter – 71,100 followers (+34%);
- Facebook – 14,167 likes (+24%) and starting regular Facebook Live events;
- YouTube – building new content and revenue streams alongside verification of a Google for Non-Profits status;
- Instagram and LinkedIn evolving;
- New mac digital part of website being developed to curate blog posts and our presence on other platforms into one navigable space; and
- We have enabled social media Login for our ticketing and hope to follow suit with our public access to Wi-Fi in the building.

### Audience Development

mac has been part of the Arts Champion scheme for over a decade, working previously with residents in the Hodge Hill and Yardley districts. The Arts Champions Scheme is a Birmingham City Council initiative that gets Birmingham based arts organisations working with residents in their local area. Our Arts Champions programme moved this year to a co-design model working closely with Art Works, the Arts Forum in Hall Green.

## MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

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In 2016 mac lead on Birmingham's The Black History Month launch and associated activities in collaboration with Blackstory Partnership. This work led to winning a tender to lead on a large-scale community arts programme with Black elders in Aston and Newtown in partnership with the Black Arts Forum.

mac supported Inspiring A New Generation in their community production, Rosa Parks, directed by Lorna Laidlow. This was performed by an incredible community cast to sell-out crowds, bringing a new audience to mac.

A season examining issues related to homelessness included performances by CardBoard Citizens, a screening with Q&A of Cathy Come Home, presentation of a photography exhibition from Sifa Fireside (Digbeth based homeless charity) and community appeals alongside local Housing Associations who came forward to support the season with donations for tickets and workshops for those with financial barriers.

### Commercial Trading Activities

Our trading activities have seen significant development with the addition of more Craft Fairs, Food Markets, gallery pop-up shops, an extended retail offer including artists' books and cards, exhibition catalogues, children's books and mac branded merchandise, as well as successful events sales, catering and bar services. Our trading arm has delivered substantially increased income to the parent charity over the year. (Total: 2016/17: £708,821 - 2015/16: £659,237). Without this financial return to the parent company our charitable work would be severely restricted.

### Equality, Diversity and Workforce

mac Birmingham is an organisation committed to driving diversity, with our mission to provide a gateway connecting people with the arts. Both in its provision of services and as an employer, mac seeks not only to ensure equality of opportunity, but also to sustain a long term strategy to develop a greater understanding of the diversity of people that we live and work with in order to strengthen our programme, enhance our visitors' experience and enable staff to maximise their potential.

The Consultative Forum and regular staff meetings provide an effective means of consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests and assist in achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

We are committed to paying our staff fair wages and to observe nationally negotiated pay rates to which our staff salaries are linked. In addition:

- As a committed learning organisation we offer investment and progression routes for our own workforce and others by providing volunteering and placement opportunities;
- We worked with Mencap and Autism WM, placing mature students in shadowing roles with our Customer Service Assistants;
- We placed students in variety of roles including in studios with technicians and artist tutors, in Customer Services, Arts, Catering and Administration departments;

## MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

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- New Shoes - programme encouraging take-up of social action amongst young people in challenging circumstances in Birmingham;
- Through our Next Gen programme, and in partnership with a range of community partners and Somewhere to, supporting young people with their creative development, and develop their leadership abilities, risk taking and resilience; and
- We regularly organise a Disabled Access Day across the centre in partnership with a range of disability organisations.

### Volunteers

mac is very involved in the community and relies on voluntary help. We are pleased to offer a wide range of volunteering opportunities within the organisation and especially pleased that our volunteering and shadowing opportunities are available to, and are taken up by, a significant number of people with personal experience of disability. During the year 61 volunteers assisted with supporting events, projects and performances both at mac and through our community outreach activities. We wish to thank all our volunteers for their support and service and all the skills and enthusiasm they bring to the organisation.

## MIDLANDS ARTS CENTRE

### FINANCIAL REVIEW

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mac Birmingham'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 2017 mac recorded a surplus of £180,080 on its unrestricted general fund. The impact of recognising a liability in the PSATSA multi-employer pension scheme of £885,554 means the new financial year begins with a surplus of £601,466 on unrestricted general reserve. A surplus on designated funds of £535,526 and a deficit of £885,554 on its pension fund, resulting in net unrestricted funds of £251,438. mac has followed FRS 102 in preparing these financial statements and the statement of financial activities (SOFA), balance sheet and notes are set out from page 26 onwards.

- During the year our earned income represented 64% of total income;
- Core funding income from Arts Council England and Birmingham City Council (Service contract) amounted to 24% of total income;
- Grant income from trusts, foundations, corporate and individual giving comprised 12% of total income;
- Wages, including employed artists as tutors, were 47% of total expenditure; and
- Payment to freelance and contracted artists represented 16% of total expenditure; whilst costs of running the building were 10.4% of total costs.

mac is working to an existing Business Plan that expires March 2018, progress is being monitored against this framework, with a new plan to be completed by October 2017.

#### Principal funding sources

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

#### Arts Council Funding

mac is a National Portfolio Organisation within the funding programmes of Arts Council England (ACE). We are currently in the last year of a three year funding agreement and have confirmation that we have been successful in securing continued investment. mac will enter into a new four year funding agreement with Arts Council from 1 April 2018 to March 2022 based on a cash standstill.

#### Birmingham City Council Funding

mac has an annually reviewed Service Level Agreement (SLA) with Birmingham City Council (BCC). BCC's budgets have also been severely reduced. In 2015 the Council reduced by 26% its fee for services provided by mac for the year commencing April 2016 and subsequently reduced this further by 70% for the year commencing April 2017. By August 2017 the allocated budget for 2018/19 had not been announced.

#### Fundraising

We continue to focus on fundraising from a variety of sources which is key to help sustain and develop our activities, especially for those with the least ability to pay, whether individuals or groups, and to support the work of emerging and early stage artists.

## MIDLANDS ARTS CENTRE FINANCIAL REVIEW

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- We exceeded our fundraising target in 2016/17 with a total of £606,226 raised in the year;
- Our fundraising includes sums contributed through donations from individuals, trusts and foundations;
- An Award of £275,000 was received from the People's Postcode Lottery;
- £29,965 of funding is attributed to support from individuals through interactive collection boxes in the building, donations at the point of sale on web/counter/phone; and
- Constructive discussions continue with a number of trusts in relation to potential new giving in 2017-18.

### 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 and Going Concern

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 5 years. The balance on the long-term capital funds represents funds received from donors towards the mac/sampad Building Project and for the purchase of fixed assets, less the depreciation charged on an annual basis. Over time these reserves will reduce to zero as the assets are fully depreciated.

The balance on restricted funds as at 31 March 2017 of £2,946,540 includes a balance of £2,413,070 in respect of the capital redevelopment project and £533,470 grants and donations received in respect of specific arts projects. These grants and donations include sums from a range of supporters towards future commissions, productions, co-productions, exhibitions and events as part of mac's longer range artistic programme.

The general unrestricted reserves figure of £251,438 including (£885,554) pension liability, £601,466 general funds and £535,526 of designated funds, has been reviewed by the Trustees and they have determined, on the basis of detailed business and financial planning and cashflow projections through to 2018, that this is below the level required to maintain financial stability on an on-going basis, especially in light of an anticipated call on reserves to balance annual budgets and facilitate cashflow. More especially now, in the light of known and potential reductions in public investments over the next few years, it is felt that the level of reserves should be increased and therefore the strategic plan 2015-2018 aims to realise modest surpluses to rebuild reserves. The Trustees also judge that modest provision

## MIDLANDS ARTS CENTRE FINANCIAL REVIEW

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should be allowed for any unforeseen legal or redundancy costs. It is also recognised that the economic environment continues to carry risks around ticket and other sales receipts as well as to its catering and other trading profits.

### Designated Funds

Following discussion by the Board it was agreed to retain a designated fund of £535,526 (2016: £514,128) to support strategic development and long-term sustainability.

Without the continuing support of Arts Council England, Birmingham City Council and People's Postcode Lottery it would be challenging for the Trust to continue operating. However the Trustees are building a plan which develops further mac's commercial endeavours and the existing premises at Cannon Hill Park to enable a programme of creative learning, artist development and commercial hire activities to help build economic resilience in the light of declining public investment prospects.

Our consolidated balance sheet remains strong with net current assets of £1,394,127. The Trustees have reviewed the circumstances of mac and mac Trading and consider that adequate resources continue to be available to fund the activities of the Trust and group for the foreseeable future. The Trustees are of the view that Trust and group are a going concern.

mac proactively manages cash flow; for much of mac's income it is paid in advance or on the day; much of our operating cost is spread evenly across the year apart from payment for capital projects.

### Principal Risks and Challenges

We are committed to sustaining a confident and skilled organisation and providing the best possible creative environment in which to develop our work at mac in communities and increasingly on line. Our planning acknowledges the importance of investing in high-quality artistic delivery, people and infrastructure to bring the best work to the widest audience. We regularly monitor risks to successful delivery of our artistic programme and use a range of self-assessment tools, external evaluation and peer review to help us ensure our work reaches our own high standards, supporting excellence whilst ensuring the widest possible participation and engagement.

The Board has reviewed and assessed the risks to which we may be exposed. A risk register identifies those risks and assigns specific actions and responsibilities for mitigating them. The risk management process is ongoing, and is regularly reviewed by the Board. The Board maintains a watchful eye on organisational, reputational and operational risks, efficiency, streamlining operations, processes and practices, to achieve the best and fairest use of our financial and human resources. During the year our business model planning looked at the likelihood of continued reduction in public investment and increasing emphasis on fundraising and diversification of other income streams. The business planning activities are enabling the Senior Management team and Board to make informed business decisions while understanding the risks and opportunities for the organisation and how this might affect mac's future plans.

The Finance and Governance Committee meets at least six times a year and at other times as required and reports to the full Board. The Finance and Governance Committee reviews the



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effectiveness of all material internal controls, including operational, financial and compliance controls and risk management systems. The internal systems are designed to meet the Company's particular needs and the risks to which we are exposed, to manage those risks and to provide reasonable assurance that mitigation plans are realistic and likely to be effective. The Committee also reviews and advises the Board on established regular procedures, including budgetary controls, and monitors the receipt of income and both revenue and capital expenditure.

The high level risks and management strategy as at 31 March 2017 were:

IDENTIFIED RISK		RISK MANAGEMENT STRATEGY
<b>FINANCIAL</b>		
1	Historic Pension Fund Liabilities increasing significantly: negative impact on revenue model and on cash-flow	Continue to lead on managing the relationship with employees of partnership organisations and the Professional Trustee
2	Cash Flow (Maintain/Reserve) in order to keep business viable	Constant monitoring of cash-flow
3	Further drop in local authority funding and support. Challenge to current business model and ability to deliver social/artistic mission	Increase commercial income and fundraising. Develop new income streams with BCC e.g. funds from charging in car park and model other scenarios
4	National Stakeholders subject to external pressures resulting in low or no funding/investment in mac	Remain loyal to Govt and BCC briefings, constantly review and implement advocacy strategy and activities within Culture Central. Review business plans and budget forecasts to respond to latest intelligence on funding scenario
5	BCC introduce charging for car park in Cannon Hill Park with no additional income for mac leading to reduction in income	mac to liaise with BCC on concerns. Raise customer awareness through measured comms strategy and propose strategy for compensation for mac
<b>AUDIENCES</b>		
6	Potential introduction of parking charges, lack of affordable parking capacity leading to adverse customer experience and decrease in visitor numbers. Negative impact on reputation, activities and direct and ancillary income	Continue to liaise with local partners and stakeholders to address parking issues and work with BCC on communications regarding charges
<b>SUPPLIERS</b>		
7	Price increases in food and drink due to market changes to maintain GP resulting in decrease in custom	Strong Procurement Strategy and range of suppliers to get the best deals.
<b>ARTISTIC</b>		
8	Lack of protection on Intellectual Property: risk to business opportunities	Strong partnership agreements, branding of work and all relevant contracts in place
<b>COMMS/PR</b>		
9	Changing channels of communication; resources needed to keep up; efforts to keep control	Collaboration with other networks and development agencies to keep on top of industry changes
<b>TECHNOLOGY</b>		
10	Reliance on "systems" / risk of technological obsolescence leading to incidents and problems impacting on the company's ability to function efficiently and access IT resources/systems	Maintain current supported systems, ensure back up and restoration procedures and policies are in place. Include in 5 year replacement plan to avoid technological obsolescence and end of life situations
<b>FACILITIES</b>		
11	Security - threat to users / staff / property / vandalism	Adequately trained staff, up to date security systems that are under a comprehensive service contract; work closely with police and park management
<b>POLICIES AND PROCESSES</b>		
12	Failure to have appropriate safeguarding policy and monitoring procedures leading to reputational, financial and operational damage	Ensure appropriate professional advice is used wherever necessary; regularly review policies. SMT/Board to receive reports on any issues arising; robust systems
<b>SITE AND ENVIRONMENT</b>		
13	Quality of Park/ Car park: Potential negative impact on reputation and revenue	Maintain close communication with all neighbours and with partner agencies
14	Proposed new hotel and catering outlets on the Cathoepsie site presenting competition for hired space and reduction in income	Maintain a close relationship during the build which may impact on the car park and look at partnership potential once the hotel is in situ. Ensure mac catering offer is unique and competitive
15	Increased level of external activity in the surrounding area presenting competition and car parking capacity issues.	Maintain close communication with all relevant stakeholders. mac will lead a quarterly meeting for all concerned and look at partnerships and impact of other activities. Communicate with customers when large scale events are identified.

## MIDLANDS ARTS CENTRE FINANCIAL REVIEW

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### Our Pricing policy

Our pricing policy reflects our strategy of enabling all within our community, whatever their means, to take part in our activities - to participate in learning activities and attend our events. Our exhibitions offer an opportunity for the public to view, free of charge, new works created by contemporary artists, works on loan from major collections and to see the work of leading artists of our day and to gain experience of ground-breaking art.

Full ticket prices to our live events and cinema and live event screenings vary between £8 and £20. Concessionary rates are available for events and are always priced with a minimum 20% reduction for those entitled to concessions. Tickets for learning programmes at mac vary enormously from £4 for individual events to £145 for full term courses of 12 or more classes in some studios with low maximum student ratios – e.g. jewellery. Concessions are available on all courses and a range of free to access learning activities for children, families and young people are presented regularly in our public spaces along with free performances and events. We fundraise to help make our activities affordable and within the reach of those most in need.

To view our programme, and for fuller details of ticket prices and discount terms and conditions, or to e-book, visit our website [www.macbirmingham.co.uk](http://www.macbirmingham.co.uk), email our enquiry team at: [info@macbirmingham.co.uk](mailto:info@macbirmingham.co.uk) or telephone our booking office 0121 446 3232 or visit our booking office, open 9am until 9pm every day.

## MIDLANDS ARTS CENTRE PLANS FOR FUTURE PERIODS

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### Future Plans

To secure the future sustainability of the organisation and to build on significant successes within the business, the Board is developing a longer range new business plan for 2018-22. This aims to facilitate the growing demand for our work – especially for learning and participation activities - and to critically develop further mac's commercial endeavours. We are continuing to strengthen our links with the community and customers and our fundraising has continued to attract significant success, enabling significant parts of our activity to offer access to those most in need.

A wide range of new collaborators regionally, nationally and internationally are essential to our artistic credibility and sustainability. New partners going forward include: Rich Mix, London; Dance Hub, Birmingham; IDFB; Future Arts Centres; Home of Metal; Tetley Arts Centre, Leeds; Birmingham Royal Ballet; Black Arts Forum, Birmingham; DASH (Disability Arts in Shropshire) and Sense UK.

mac has increasingly relied on Events Hire as an important source of earned income, promoting the distinction of our artistic programme and venue as a unique setting. We will continue to maximise creative, social and income generation opportunities throughout the premises with greater emphasis on pursuing cross departmental opportunities with ticket sales (post conference shows) and evening catering. mac catering is proving to be a significant source of regular income of turnover annually. This is expected to increase with huge potential to increase our catering services with extended onsite and offsite opportunities.

## MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

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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	Shawbrook Bank Ltd Lutea House Warley Hill Business Park The Drive, Great Warley Brentwood Essex CM13 3BE
Auditors	PKF Cooper Parry Group Limited Statutory Auditors Park View One Central Boulevard Blythe Valley Business Park Solihull B90 8BG	

## STRUCTURE, GOVERNANCE AND MANAGEMENT

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

Cllr Matt Bennett		Junaid Bhatti	(appt. 29/03/2017)
Stephanie Dale	(appt. 29/03/2017)	Yetunde Dania	(resigned 29/03/2017)
Owen Dutton	(appt. 29/03/2017)	Gwenda Hughes	(resigned 29/03/2017)
Emrys Jones		Sharon Lea	
Mary Martin (Vice Chair)		Greg Lowson (Vice Chair)	
Louise McCathie		Sara Meyer	
Linda Saunders		Sue Scholes	
Cllr Martin Straker-Welds		Mike Williams	
Jonnie Turpie	(appt. as Chair 01/04/2016)		

## MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

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Louise McCathie, Sue Scholes and Sara Meyer will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

### Governing document

Midlands Arts Centre (trading as **mac Birmingham**) 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 its Articles of Association amended to allow for current governance arrangements on 18 November 1992 (11 to 12 Board members); on 15 November 1995 (2 to 3 Birmingham City Council nominated Board members) and on 25 September 2014 (12 to 15 Board members).

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

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

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

### Recruitment and appointment to the Board of Directors

As set out in the Articles of Association the number of members of the Board (other than those nominated by Birmingham City Council) as specified in article 31 of the Articles of Association is no less than 4 and not more than 15. 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.

### Board induction and training

The Chair or Vice Chair, together with the CEO, meet with newly appointed Board members to brief them on: their role and responsibilities as a trustee as outlined the Terms of Reference; their legal obligations under charity and company law; Charity Commission guidance on public benefit; review the content of the Memorandum and Articles of Association, committee and decision-making processes, current business plans and recent financial performance of the charity. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

## MIDLANDS ARTS CENTRE

### REFERENCE AND ADMINISTRATIVE INFORMATION

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Key documentation is provided in Board inductions including, the current Business Plan and budget, the Mission Statement and artistic, educational, equal opportunities policies, the Memorandum and Articles of Association, the latest annual report and audited accounts and previous Board papers, to give Board members a full understanding of the organisation. The Head of Governance and HR ensures Board members are aware of policies relevant to them and that they complete relevant paperwork, such as their declaration of interests and personal data for monitoring purposes. Board and staff structures are provided including the membership and role of sub-committees, practical information on communications, procedures and timings of meetings.

The Chair meets with all Board members individually for an annual appraisal. The annual Board Away Day provides development opportunities for the Board and identifies further development needs in order for relevant training to be scheduled.

#### 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.

During the year they were:

Dorothy Wilson MBE, FRSA: Artistic Director and Chief Executive (resigned 10/09/2016)

Deborah Kermode Chief Executive and Artistic Director (appt. 15/08/2016)

Michelle Smith: Commercial Operations Director

Hinal Shah: Head of Finance

Lindsey Cook: Head of Sales and Marketing

Claire Marshall: Creative and Partnerships Director

Sue Longfils: Head of Governance and Strategic HR

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 41 to 43 of the Articles of Association adopted by Special Resolution on 25 September 2014. Further, they provide details of powers delegated to the CEO and managers of the company by the Board in accordance with paragraphs 55 to 56 of these Articles of Association, and to its responsibilities under paragraphs 59 to 62 of these Articles of Association relating to Accounts and Audit.

## MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

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

### Related parties

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

- o Arts and Business
- o Arts Marketing Association
- o Birmingham Chamber of Commerce and Industry
- o BFI SWWM Film Hub
- o Cinema Exhibitors Association
- o Culture Central
- o ENGAGE
- o Future Arts Centres
- o Independent Theatre Council
- o Marketing Birmingham
- o The Stage Media Company
- o Touring Exhibition Group
- o UK Theatre
- o Visita Group – Heart of England

The charity's wholly owned subsidiary, Midlands Arts Centre 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.

### Pay policy for senior staff

The directors consider the senior management team comprising the key management personnel of the charity to be in charge of directing and controlling, running and operating the Trust on a day to day basis.

The recruitment of the Chief Executive is conducted by the Chair and a panel of Board members. The appointment of members of the Senior Management team is conducted by the CEO and a Board member. All mac staff pay levels are referenced to points on the scale used by the National Joint Council for Local Government Services, used by many public and third sector organisations.

Pay awards are negotiated nationally by the relevant Unions with Local Authorities employer representatives. mac implements any salary increases thus negotiated.

## MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who are also Trustees of Midlands Arts Centre for the purpose of Charity Law) are responsible for preparing the Annual Report, including the Strategic 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 these 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 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate and proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

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

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

### BY ORDER OF THE BOARD

E J Turpie - MBE  
Chair  
26 September 2017



*S. Longfils*

S Longfils  
SECRETARY



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE

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We have audited the financial statements of Midlands Arts Centre for the year ended 31 March 2017 which comprise the Group Statement of Financial Activities, the Group and the Parent Charitable Company Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's Trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and its Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 23, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE

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- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of the audit:

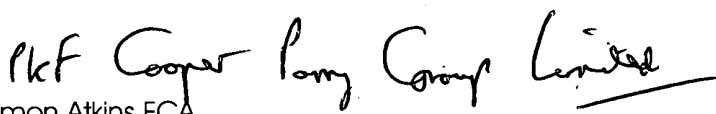
- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011. Act requires us to report to you if, in our opinion:

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

  
Simon Atkins FCA

Senior Statutory Auditor  
for and on behalf of:

PKF Cooper Parry Group Ltd  
Statutory Auditors

26 September 2017

Park View  
One Central Boulevard  
Blythe Valley Business Park  
Solihull B90 8BG

**MIDLANDS ARTS CENTRE**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
(including consolidated Income and Expenditure Account)  
for the year ended 31 March 2017

	Notes	Unrestricted funds £	Restricted building project £	Other restricted projects £	2017 Total £	2016 Total £
<b>INCOME</b>						
<i>Donations and legacies</i>	2	307,576	-	-	307,576	279,162
<i>Income from charitable activities</i>						
Grants, donations and other income	3	1,160,421	-	273,445	1,433,867	1,498,992
Arts activities	4	1,157,376	-	-	1,157,376	1,102,904
<i>Income from other trading activities</i>						
Commercial trading operations	5	1,807,587	-	-	1,807,587	1,737,561
Office lettings, hire and recharges		103,848	-	-	103,848	78,130
<i>Investment income</i>	2	10,454	-	-	10,454	11,956
<b>Total income</b>		<b>4,547,263</b>	<b>-</b>	<b>273,445</b>	<b>4,820,708</b>	<b>4,708,705</b>
<b>EXPENDITURE</b>						
<i>Expenditure of raising funds</i>						
Commercial trading operations	6	1,117,305	-	-	1,117,305	1,096,498
<i>Expenditure on charitable activities</i>						
Arts activities	6	3,275,191	-	181,028	3,456,219	3,418,809
<b>Total expenditure</b>		<b>4,392,496</b>	<b>-</b>	<b>181,028</b>	<b>4,573,524</b>	<b>4,515,307</b>
<b>Net income for the year</b>		<b>154,767</b>	<b>-</b>	<b>92,417</b>	<b>247,184</b>	<b>193,397</b>
<b>Transfers between funds</b>						
<b>Net movement in funds for the year</b>		<b>154,767</b>	<b>-</b>	<b>92,417</b>	<b>247,184</b>	<b>193,397</b>
<b>Reconciliation of funds</b>						
<b>Total Fund brought forward</b>		<b>96,671</b>	<b>2,413,070</b>	<b>441,053</b>	<b>2,950,794</b>	<b>2,757,397</b>
<b>Total funds carried forward</b>		<b>251,438</b>	<b>2,413,070</b>	<b>533,470</b>	<b>3,197,978</b>	<b>2,950,794</b>

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 30 to 51 form part of these financial statements.

**MIDLANDS ARTS CENTRE (Company No. 00718349)**  
**BALANCE SHEETS**  
**as at 31 March 2017**

		Consolidated		Company	
	Notes	2017 £	2016 £	2017 £	2016 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	9	2,596,021	2,544,929	2,596,021	2,544,929
Investment in subsidiary undertaking	10	-	-	100	100
<b>Total Fixed Assets</b>		<u>2,596,021</u>	<u>2,544,929</u>	<u>2,596,121</u>	<u>2,545,029</u>
<b>CURRENT ASSETS</b>					
Stocks	11	29,858	25,379	-	-
Debtors	12	222,493	344,480	493,111	586,357
Cash at bank and in hand:					
- unrestricted		1,445,264	1,016,250	1,123,386	708,529
- restricted – projects		533,470	441,054	533,470	441,054
- restricted – capital (lease)		2,413,070	2,413,070	2,413,070	2,413,070
<b>Total Current Assets</b>		<u>4,644,155</u>	<u>4,240,232</u>	<u>4,563,036</u>	<u>4,149,010</u>
<b>LIABILITIES</b>					
Creditors falling due within one year	13	(3,250,027)	(3,069,216)	(3,169,009)	(2,978,094)
<b>NET CURRENT ASSETS</b>		<u>1,394,127</u>	<u>1,171,016</u>	<u>1,394,027</u>	<u>1,170,916</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,990,148</u>	<u>3,715,945</u>	<u>3,990,148</u>	<u>3,715,945</u>
Pension liability	22	(792,170)	(765,151)	(792,170)	(765,151)
<b>NET ASSETS</b>		<u>3,197,978</u>	<u>2,950,794</u>	<u>3,197,978</u>	<u>2,950,794</u>
<b>Represented by:</b>					
<b>RESTRICTED FUNDS</b>	14 & 15	2,946,540	2,854,124	2,946,540	2,854,124
<b>UNRESTRICTED FUNDS</b>					
General Funds	16	601,466	421,386	601,466	421,386
Designated Funds	16	535,526	514,128	535,526	514,128
Pension reserve	16	(885,554)	(838,843)	(885,554)	(838,843)
		<u>3,197,978</u>	<u>2,950,794</u>	<u>3,197,978</u>	<u>2,950,794</u>

The notes on page 30 to 51 form part of these financial statements.

The financial statements were approved by the Board of Directors on 26 September 2017 and signed on its behalf by :

  
 E J Turple MBE - Chair

**MIDLANDS ARTS CENTRE**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 March 2017**

	Notes	2017 £	2016 £
Reconciliation of net Incoming resources to net cash flow from operating activities			
Net incoming resources		247,184	193,397
Depreciation charges	9	52,348	56,268
Net interest	2	(10,454)	(11,956)
Increase in stocks	11	(4,479)	(3,063)
Decrease/(increase) in debtors	12	121,988	(33,797)
Increase/(decrease) in creditors	13	207,830	(92,183)
		<u>614,418</u>	<u>108,664</u>
Net cash inflow from operating activities		<u>614,418</u>	<u>108,664</u>
<b>CASH FLOW STATEMENT</b>			
Net cash inflow from operating activities		614,418	108,664
Returns on investments and servicing of finance	(a)	10,454	11,956
Capital expenditure	9	(103,441)	(5,883)
Increase in cash	(b)	<u>521,431</u>	<u>114,737</u>

The notes on pages 30 to 51 form part of these financial statements.

**MIDLANDS ARTS CENTRE**  
**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 March 2017**

<b>(a)</b>	<b><u>Returns on investment and servicing of finance</u></b>	<b>2017</b>	<b>2016</b>
		<b>£</b>	<b>£</b>
	Interest received	<u>10,454</u>	<u>11,956</u>

<b>(b)</b>	<b><u>Increase in cash</u></b>	<b>2017</b>	<b>2016</b>
		<b>£</b>	<b>£</b>
	Balance at beginning of period	3,870,373	3,755,636
	Net cash inflow (note c)	<u>521,431</u>	<u>114,737</u>
	Balance at end of period	<u><u>4,391,804</u></u>	<u><u>3,870,373</u></u>

<b>(c)</b>	<b><u>Reconciliation of net cash flow to movements in net funds</u></b>	<b>£</b>
	Increase in cash during year being change in net funds	521,431
	Net funds at 1 April 2016	<u>3,870,373</u>
	Net funds at 31 March 2017	<u><u>4,391,804</u></u>

<b>(d)</b>	<b><u>Analysis of changes in net funds</u></b>	<b>At 1 April 2016</b>	<b>Cash flows</b>	<b>At 31 March 2017</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	Cash at bank	<u>3,870,373</u>	<u>521,431</u>	<u>4,391,804</u>

**MIDLANDS ARTS CENTRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2017**

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**1. ACCOUNTING POLICIES**

The principal accounting policies adopted, judgement and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

**a Basis of preparation**

Midlands Arts Centre meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

**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.

**c Income**

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

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

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

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

Income from commercial trading operations is recognised as earned.

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

**d Fund accounting**

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the Trustees have decided at their discretion to set aside to use for a specific purpose.

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Trust's work or for specific artistic projects being undertaken by the Trust.

**e Donated services**

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

**f Expenditure and irrecoverable VAT**

Expenditure is included in the Consolidated Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered.

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- o Costs of raising funds comprise the costs of commercial trading including the café, bar, room hires and their associated support costs.
- o Expenditure on charitable activities includes the costs of performances, exhibitions and other educational activities undertaken to further the purposes of the charity and their associated support costs.
- o Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

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.

**g 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 3 to 25 years.

### Computers

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

### 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.

#### **h 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.

#### **i Stock**

Stock is valued at the lower of cost and estimated realisable value.

#### **j Lease rentals**

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

#### **k Pre-production costs**

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

#### **l Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

#### **m Creditors**

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

n Pension costs

To meet the requirements of auto-enrolment of staff into a pension scheme, the company offers the NEST pension scheme.

Previous pension schemes available to staff are now closed.

o Going concern

These accounts have been prepared on a going concern basis.

The Directors and Trustees have considered the charitable company's business planning in the context of known resources and have reviewed the operating basis of the group's operations. A formal business plan for the period to 2018 has been prepared.

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

As detailed in the Report of the Directors and Trustees, Arts Council England has confirmed funding through until 31 March 2022 and Birmingham City Council has confirmed funding through until 31 March 2018.

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

## 2. INCOME FROM DONATIONS AND LEGACIES

	2017 £	2016 £
Grants, Donations and other income - unrestricted		
People's Postcode Lottery	275,000	250,000
Pinsent Masons pro-bono fees	2,611	7,113
Fund raising and gift aid donations	29,965	22,049
	<u>307,576</u>	<u>279,162</u>
Investment Income		
Unrestricted	10,454	11,956
Restricted	-	-
	<u>10,454</u>	<u>11,956</u>

## 3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

Grants, Donations and other income - unrestricted	2017 £	2016 £
Arts Council England	739,146	739,146
Birmingham City Council - Service level agreement	400,000	540,000
Other Income	21,275	28,233
	<u>1,160,421</u>	<u>1,307,379</u>

### Grants, Donations and other income - restricted

General Projects	2017 £	2016 £
Birmingham City Council	-	4,000
National Foundation for Youth Music	148,001	162,016
Roughley Trust	8,212	7,000
Saintbury Trust	40,000	-
Headley Trust	30,000	-
Other Projects	47,233	18,597
	<u>273,445</u>	<u>191,613</u>

#### 4. INCOME FROM ARTS ACTIVITIES

	2017	2016
	£	£
Cinema	276,744	306,863
Learning and Participation	477,410	375,038
Visual Arts	47,777	46,504
Next Generation	19,291	11,527
Productions and Performances	336,154	354,804
Other Income	-	8,168
	<u>1,157,376</u>	<u>1,102,904</u>

Income generated from Arts Activities for 2017 and 2016 all relates to unrestricted funds.

## 5. INCOME EARNED FROM TRADING OPERATIONS

The charitable company owns 100% of the share capital of Midlands Arts Centre Trading Limited which provides catering services, event sales, venue hires and retail activities. During the year, Midlands Arts Centre Trading Limited made sales of £18,539 (2016: £18,174) to the parent company.

	2017 £	2016 £
Turnover	1,826,126	1,755,735
Cost of sales	<u>(438,682)</u>	<u>(410,189)</u>
Gross profit	1,387,444	1,345,546
Staff costs	(540,499)	(552,293)
Other operating costs	(138,125)	(134,016)
Transactions with parent company:		
Facility fee payable	(198,000)	(195,000)
Technical and customer services support recharged	(65,809)	(66,463)
Room rental payable	(196,617)	(200,571)
Licence fees payable	(2,200)	(2,200)
Covenanted profit transferred under gift aid	<u>(246,195)</u>	<u>(195,003)</u>
Operating profit	-	-
Tax on profit on ordinary activities	-	-
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>

6. TOTAL EXPENDITURE

	Cinema	Learning and participation	Visual Arts	Performing Arts	Other Restricted Projects	Trading operations	2016/17 Total	2015/16 Total
	£	£	£	£	£	£	£	£
<b>Costs directly allocated to activities</b>								
Staff costs, travel and subsistence	114,333	503,063	228,665	297,265	46,863	494,523	1,684,712	1,637,279
Payments relating to artists	113,539	164,001	100,924	252,310	96,130	-	726,904	802,859
Materials and consumables	12,064	39,638	98,233	22,404	10,449	599,285	782,073	778,456
Communications	16,087	62,559	17,874	82,221	3,333	-	182,074	182,351
IT systems providing direct arts support	7,187	13,975	4,791	13,975	8,403	1,870	50,201	44,984
Administration	830	830	12,038	138	9,978	21,627	45,441	45,930
<b>Total direct costs</b>	<b>264,040</b>	<b>784,066</b>	<b>462,525</b>	<b>668,313</b>	<b>175,156</b>	<b>1,117,305</b>	<b>3,471,405</b>	<b>3,491,859</b>
<b>Support costs allocated to activities</b>								
Premises and services costs	-	-	-	-	5,873	-	5,873	11,392
Building running costs	61,988	185,964	71,525	157,354	-	-	476,831	483,708
HR and administration	10,920	32,761	12,600	27,721	-	-	84,002	92,191
IT & Finance	42,740	155,417	58,281	132,104	-	-	388,542	276,136
Governance	3,049	8,275	3,484	6,968	-	-	21,776	22,356
Operations and planning	12,510	50,038	18,764	43,783	-	-	125,095	137,665
<b>Total support costs</b>	<b>131,207</b>	<b>432,455</b>	<b>164,654</b>	<b>367,930</b>	<b>5,873</b>	<b>-</b>	<b>1,102,119</b>	<b>1,023,448</b>
<b>Total costs - 2016-17</b>	<b>395,247</b>	<b>1,216,521</b>	<b>627,179</b>	<b>1,036,243</b>	<b>181,029</b>	<b>1,117,305</b>	<b>4,573,524</b>	<b>-</b>
<b>Total costs - 2015-16</b>	<b>387,929</b>	<b>1,163,295</b>	<b>619,022</b>	<b>1,006,726</b>	<b>241,837</b>	<b>1,096,498</b>	<b>-</b>	<b>4,515,307</b>

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

£181,029 (2016: 241,837) of the above costs were attributable to restricted funds. £4,392,495 (2016: £4,273,470) of the above costs were attributable to unrestricted Funds.

## 7. CHARITABLE EXPENDITURE

Expenditure includes:	2017 £	2016 £
Auditors' remuneration		
- in respect of audit	10,004	10,700
- for specialist VAT advice (all holding company)	1,825	1,000
Depreciation – owned assets	<u>52,348</u>	<u>56,268</u>

## 8. STAFF COSTS

	2017 £	2016 £
Wages and salaries	2,000,793	1,973,653
Social security costs	122,616	117,382
Pension costs	<u>27,902</u>	<u>34,605</u>
	<u>2,151,311</u>	<u>2,125,640</u>

Total redundancy amounts of £ Nil (2016 : £10,853) were paid during the reporting year. Holiday accrual of £Nil (2016: £11,306) is included in provisions.

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

	2017 Number	2016 Number
The number of employees whose remuneration fell within the band £60,000 to £69,999	<u>1</u>	<u>1</u>

### Trustees' and key management personnel remuneration and expenses

Two trustees received reimbursed expenses of £203 during the year. (2016: £39)

The total amount of employee benefits received by key management personnel is £237,880 (2016: £235,195). Key management personnel are set out on page 21 of this report.

The average number of employees in the year was as follows:

	2017 Number	2016 Number
Business and administration staff – Full time	31	26
Business and administration staff – Part time	61	61
Arts team – Full time	9	11
Arts team – Part time	79	74
Catering, bar and events staff	<u>33</u>	<u>45</u>
	<u>213</u>	<u>217</u>

## 9. TANGIBLE FIXED ASSETS

Consolidated and Company	Leasehold land and buildings £	Leasehold Improvements £	Fixtures and fittings £	Computers £	Total £
<b>Cost</b>					
At 1 April 2016	4,781,492	75,720	283,568	72,955	5,213,735
Additions	-	-	90,278	13,163	103,441
At 31 March 2017	4,781,492	75,720	373,846	86,118	5,317,176
<b>Depreciation</b>					
At 1 April 2016	2,368,422	24,037	212,555	63,793	2,668,807
Charge for year	-	7,493	33,709	11,146	52,348
At 31 March 2017	2,368,422	31,530	246,264	74,939	2,721,155
<b>Net book values</b>					
At 31 March 2017	2,413,070	44,190	127,582	11,179	2,596,021
At 31 March 2016	2,413,070	51,683	71,013	9,162	2,544,929

In 2012 and 2014 there were additions of £2,185,000 and £228,070 to leasehold land and buildings representing the amount payable under a development agreement in respect of a lease premium due on the granting of a new lease to mac upon the final completion of the building project. A corresponding creditor has been recognised to reflect the payment due.

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

For further details see note 20.

## 10. INVESTMENT IN SUBSIDIARY UNDERTAKING

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



# 11. STOCK (Consolidated Only)

	2017	2016
	£	£
Catering and bar stocks	17,129	14,448
Retail Stock	12,729	10,931
	<u>29,858</u>	<u>25,379</u>

# 12. DEBTORS

	Consolidated		Company
	2017	2016	2017
	£	£	£
Amounts falling due within one year			
Due from subsidiary undertaking	-	-	338,660
Other debtors	74,254	157,571	10,498
Prepayments	123,929	108,317	119,791
Accrued income	24,311	78,593	24,162
	<u>222,493</u>	<u>344,481</u>	<u>493,111</u>
			<u>586,357</u>

# 13. CREDITORS

	Consolidated		Company
	2017	2016	2017
	£	£	£
Amounts falling due within one year			
Trade creditors	216,802	189,518	167,798
Taxation and social security	77,038	17,711	77,038
Other creditors	2,441,555	2,465,121	2,441,555
Accruals	114,998	126,278	109,989
Deferred income	306,250	196,896	279,245
Pension liability	93,384	73,692	93,384
	<u>3,250,027</u>	<u>3,069,216</u>	<u>3,169,009</u>
			<u>2,978,094</u>

#### 14. RESTRICTED FUNDS (Charity and group)

	Capital Development £	Projects (note 15) £	Total £
At 1 April 2016	<u>2,413,070</u>	<u>441,054</u>	<u>2,854,124</u>
<b>Income</b>			
General project income (note 3)	-	273,445	273,445
Total income	-	273,445	273,445
<b>Expenditure</b>			
Arts activities (note 6)	-	(181,028)	(181,028)
Total expenditure	-	(181,028)	(181,028)
At 31 March 2017	<u>2,413,070</u>	<u>533,470</u>	<u>2,946,540</u>

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

	1 April 2016 £	Income £	Expenditure £	31 March 2017 £
Arts Council - Catalyst	1,966	-	(1,966)	-
National Foundation for Youth Music Youth music Inclusion programme working with children and young people in challenging circumstances	32,369	148,001	(148,011)	32,358
Other Projects*	406,718	125,445	(31,051)	501,112
<b>Total</b>	<b>441,053</b>	<b>273,445</b>	<b>(181,028)</b>	<b>533,470</b>

\* Includes sums from a range of supporters including Bryant, Roughley, Saintbury, Feeney and William Cadbury towards commissions, productions, co-productions, exhibitions and events as part of macs' longer range artistic programme.

**16. UNRESTRICTED FUNDS (Charity and group)**

	General Funds £	Designated Funds £	Pension Funds £	Total £
At 1 April 2016	421,386	514,128	(838,843)	96,671
Net income before transfers	201,478	-	(46,711)	154,767
Transfer of funds	(21,398)	21,398	-	-
At 31 March 2017	<u>601,466</u>	<u>535,526</u>	<u>(885,554)</u>	<u>251,438</u>

At the year end, the designated funds are allocated £535,526 (2016: £514,128).

- £300,000 (2016: £333,000) towards strategic development and sustainability;
- £135,526 (2016: £181,128) towards the support of Next Generation programme, new Outreach and learning programmes; and
- £100,000 (2016: nil) towards repairs, renewals and maintenance of the building.

In accordance with the requirements of FRS 102 mac has recognised a pension liability of £885,554.

## 17. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Fund balances at 31 March 2017 are represented by:			
Fixed assets	182,951	2,413,070	2,596,021
Stock	29,858	-	29,858
Debtors	222,493	-	222,493
Cash at bank and in hand	1,445,264	2,946,540	4,391,804
Creditors	(836,957)	(2,413,070)	(3,250,027)
Provisions / Pensions	(792,170)	-	(792,170)
	<u>251,438</u>	<u>2,946,540</u>	<u>3,197,978</u>

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

## 18. FINANCIAL ACTIVITIES OF THE CHARITABLE COMPANY

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

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

	2017 £	2016 £
Gross income	3,721,942	3,630,381
Total expenditure on charitable activities	(3,452,982)	(3,414,628)
Governance costs	(21,776)	(22,356)
Net income for the year	<u>247,184</u>	<u>193,397</u>
Total funds brought forward	<u>2,950,794</u>	<u>2,757,397</u>
Total funds carried forward	<u>3,197,978</u>	<u>2,950,794</u>
Represented by:		
Unrestricted funds	601,466	421,386
Designated funds	535,526	514,128
Restricted funds	2,946,540	2,854,123
Pension funds	(885,554)	(838,843)
	<u>3,197,978</u>	<u>2,950,794</u>

## 19. LEASE COMMITMENTS

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

## 20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

At the date of signing the accounts, an amount of £2,413,070 has been recognised in fixed assets as a capitalised lease premium with a corresponding creditor recorded in accruals.

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 Sections 481-489 of the Corporation Taxes Act 2010 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 2010.

## 22. PENSIONS

### a) NEST Pension

The Company offers the NEST pension scheme to meet the requirements of auto-enrolment of staff into a pension scheme.

### b) The Pension Scheme for Administration and Technical Staff in the Arts (PSATSA)

The company participates in the scheme, a multi-employer scheme which provides benefits to 7 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 31 March 2016. This valuation showed assets of £15.5m, liabilities of £23.7m and a deficit of £8.2m. To eliminate this funding shortfall, the Scheme's professional Trustee has asked the participating employers to

pay additional contributions to the scheme based on their calculated share of the shortfall. The contributions of mac are as follows:

#### Deficit contributions

From 1 June 2017 to 31 May 2027:

£93,384 per annum

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

#### PRESENT VALUES OF PROVISION

	2017	2016
	£	£
Present value of provision		
Pension liability due in a year	93,384	73,692
Pension liability due after a year	792,170	765,151
Present value of provision	<u>885,554</u>	<u>838,843</u>

#### Reconciliation of opening and closing provisions

	Period Ending 31 March 2017
	£
Provision at start of period	838,843
Unwinding of the discount factor (interest expense)	54,998
Deficit contribution paid	(73,692)
Remeasurements - impact of any change in assumptions	65,405
Remeasurements - amendments to the contribution schedule	-
Provision at end of period	<u><u>885,554</u></u>

#### Statement of Financial Activities Impact

	Period Ending 31 March 2017
	£
Interest expense	54,998
Remeasurements - impact of any change in assumptions	65,405
Remeasurements - amendments to the contribution schedule	-
Contributions paid in respect of future service	-
Costs recognised in income and expenditure account	-

## Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum
Rate of interest	1.2%	2.3%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

## 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 2017 was 16 (2016: 18).

## 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 (FRS 102) and of Financial Reporting Standard 102, and consider that the transactions requiring disclosure are as follows:

Greg Lowson, Trustee, is Managing Partner of Pinsent Masons, a firm the charity uses for the provision of legal services. Pro-bono fees donated by Pinsent Masons are disclosed in note 2 to the accounts.

## 25. ULTIMATE CONTROLLING PARTY

mac is controlled by its Board of Trustees.